

The MAGAZINE *of* WALL STREET

and BUSINESS ANALYST

SEPTEMBER 18, 1954

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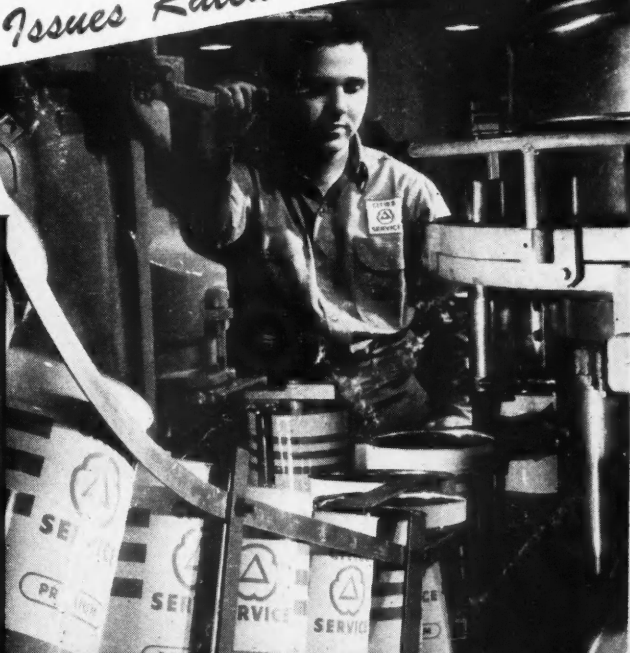
— COMPANIES THAT WILL BENEFIT MOST
By L. A. LUKENS

★ 1954's STOCK MARKET LAGGARDS
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THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

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Vol. 94, No. 13

September 18, 1954

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ANDREW W. JOHNSON
Vice-President and Treasurer

September 2, 1954

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CONSECUTIVE DIVIDENDS

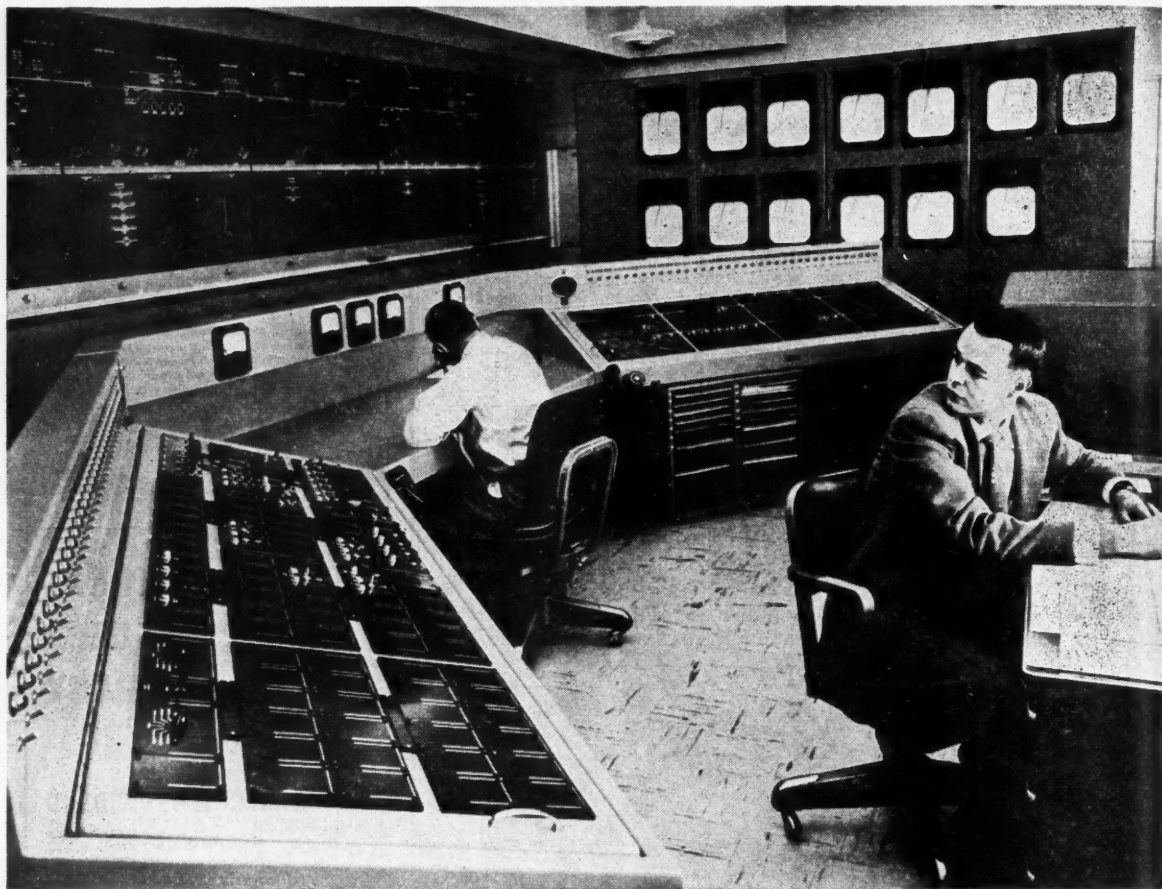
■ A quarterly dividend of 45¢ a share has been declared on the common stock of this company, payable on October 1, 1954, to shareholders of record September 8, 1954.

■ A quarterly dividend of \$1.00 a share has also been declared on the preferred stock of the company. It too is payable on October 1, 1954, to shareholders of record September 8, 1954.

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THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, Editor-Publisher



The Trend of Events

ADMINISTRATION POLICY, BUSINESS AND THE ELECTION . . . Gradually, the government is redeeming its campaign pledge to free business from the shackles which bound it in previous administrations. It lost no time in ending war-time controls; it has greatly improved the tax structure; it is trying to liquidate strictly business enterprises which it inherited; it deals, legitimately, as an umpire in labor disputes when called on to serve and not, as formerly, as a partner of labor; and, it is opening the door to the entry of private power into the formerly exclusive domain of government power projects.

While making progress along these lines, the Administration has been unable, for reasons beyond its control, to make effective headway in matters relating to subsidies, generally. It is still confronted with the necessity of maintaining heavy farm subsidies as well as benefits to airlines, and shipping, for example; and its stockpiling activities are motivated as much by a desire to help certain industries as by military considerations.

The government has not been able to balance the budget but the fault for this must be found in Moscow and Peiping and not in Washington. As long as the cold war continues, with a never-ending threat of erupting into a hot war, the government must prepare adequately with all military means, even if this must strain the budget. In the meantime, it has cut other costs where possible. Without this, it is obvious the deficit

would have been even larger.

On balance, the Administration deserves much credit for having met its pressing needs without upsetting the economy during a difficult transition period. Credit has remained abundant, and money rates and prices have been remarkably stable during the past year. While employment conditions leave something to be desired, the attitude of consumer and business alike remains generally confident.

No doubt, the Administration will come under severe attack by the opposition party during the election campaign. Aside from some areas of discontent in the farm regions and in specific localities where unemployment is heavy, however, it is difficult to see how the opposition party expects to profit much from an appeal to the electorate on economic grounds alone. Looking at its prospects from this aspect, the Administration probably feels, and with justice, that it may feel reasonably confident as to the outcome of the elections in November. A new world crisis intervening between now and November, however, might inject a wholly unpredictable element into the situation.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

ATOMS FOR PEACE . . . In announcing the establishment of an international atomic pool, President Eisenhower has seized on what may be the one practical means whereby the underprivileged nations of the earth can be rescued from poverty, in time to save them from communism. The avail-

BUSINESS, FINANCIAL and INVESTMENT COUNSELLORS : : 1907—"Over Forty-six Years of Service"—1954

ability of power is essential if nations are to improve their living standards. Where it is lacking, economic stagnation and misery is the result. Therefore, if the nations of Asia, where widespread poverty exists and communism particularly threatens, can be aided quickly to increase their sources of power, and, thereby, their productivity, this deadly threat can be contained and, finally, eliminated.

It is of the greatest importance that it is already cheaper to produce atomic power than conventional energy in the underdeveloped areas of the earth, though this is not yet so true of the heavily industrialized nations. It is now possible, for example, to lay down small, compact reactors to produce atomic energy wherever needed in any part of the world. This makes the new source of power quickly available and economically feasible, even in the most remote regions.

For the present, owing to the typical obstinacy of the Soviets, the international atomic pool necessarily must be limited to a few friendly nations. Yet, the President has stated that it is his earnest hope that the Russians will not permanently exclude themselves from this magnificent world enterprise. Whether or not they finally agree to cooperate, the fact remains that the formation of the international atomic pool can eventually deprive them of the most potent weapon in their arsenal which is to exploit the poverty of huge masses throughout many areas in order that they be brought under the banner of world communism.

Thus, what we have now is a struggle for the minds of men which is taking on an entirely new dimension. Americans can be proud that their President profoundly understands the real nature of the struggle and has taken what may ultimately prove the only practical means of gaining victory without war.

DO MERGERS LIMIT COMPETITION? . . . The government's anti-trust chief, Ass't Attorney General Barnes has recently expressed anxiety over the mounting number of mergers which, he intimates, may be running afoul of our anti-monopoly laws. He refers specifically to the possibility that government action might be required in cases where the number of companies in a basic industry have shrunk as a result of mergers, and where competition in that industry, as a consequence, may become limited. He cites the mergers in the automobile industry as an instance.

We doubt whether the government could prove its case, at least with reference to the recent automobile consolidations. It seems to us that unless the mergers had taken place, the smaller independents involved might have had to go out of business altogether as a result of poor business conditions and the formidable opposition offered by the three largest concerns in the field. By pooling their resources, the independents are actually better able to stay in business and stay alive in the competitive race. Thus, the argument that mergers stifle competition does not seem to hold water, at least in this instance.

It is interesting to observe that despite the increase in the number of consolidations which, theoretically, should have had the effect of reducing the number of firms in business, actually the number has gained. There is now a monthly average

of 4.2 million business concerns operating but, at the end of the war, there were only 3.2 million. Apparently, competitive conditions are still sound enough, despite increasing mergers, to have encouraged an increase of 1 million business firms within a comparatively brief period. Illustrating the point further: in 1946, the first full post-war year, new incorporations were at an average monthly rate of about 4,000. In recent years, the rate of new incorporations has more than doubled.

LABOR BECOMING RESTIVE AGAIN . . . Quite without advance notice, the labor front has erupted again with a rapidly growing number of strikes in many different industries. The following important industries among others have recently been afflicted with labor troubles, some of them not ended as yet: airlines, rubber, lumber, electrical, and copper.

It had been suggested that the moderate wage increase accepted in the steel settlement a few months ago might offer a pattern of peaceful negotiation. This hope has proved premature. In July and August, continuing into September strikes have been rising, averaging close to 400 a month and involving an average close to a quarter of a million workers. While wages are the main issue, "featherbedding" in concealed form has reappeared and this, and other evils opened up by the old Wagner Labor Act are commencing to exert a baleful effect.

The pressure of competitive conditions and a lower operating margin of profit is forcing employers to adopt a firmer line with union negotiators. At the same time, union officials are becoming more belligerent in their demands. During the previous period of almost universally rising corporate profits, in an inflationary period, very substantial and repeated wage increases could be granted without seriously inconveniencing business. Today, however, profits arising from inflation per se have disappeared and corporations must watch their costs more closely than ever. Apparently, union officials are not concerning themselves as much as they ought, with these real problems. Only in dire emergency when plant shut-downs are threatened, as in the recent case of Studebaker, do the unions agree to adopt a more reasonable attitude. Unless union leaders grasp the point that the interests of their unions as well as that of industry and the nation will be best served by reversing their now increasingly hostile stance, it is not difficult to foresee that labor troubles on a wider scale than has been the case for some time will rise to plague us.

TAKING "TAX LOSSES" . . . Some investors are already adjusting their portfolios in anticipation of their final year's tax returns. We should like to offer the caution, however, that the establishing of tax losses should be done with great discrimination. Tax savings from acceptance of losses should be considered against the possibility that the stock chosen for sale may be on the verge of substantial recovery, in which case the transaction would be unfortunately timed and would result in a considerable financial sacrifice, undoing any tax benefits expected. As we have often pointed out, savings from "tax losses" are not an end in themselves, and injudicious use of this technique can and frequently does result in unnecessary—and often irretrievable loss.

As I See It!

By JOHN CORDELLI

WILL U. S. CONTINUE TO FOLLOW LEAD OF BRITAIN AND FRANCE?

To the new Southeast Asian Defense Treaty, which has just been added to our already motley collection of post-war "defense pacts", must go the palm of being the most fantastically unrealistic of all. Not even the State Department, which fathered the Treaty, can now believe that it can effectively deter communist aggression.

The Treaty is a curiosity because it actually does not provide for concrete defensive action, though it is supposed to be primarily military in character. This preposterous outcome is not of our doing. We wanted teeth put into the new alliance but the British and French would have none of it.

Blocking effective action is the fact that the Treaty's chief signatories—the U. S., Britain and France—hold entirely opposite views on how to deal with the Russian and Chinese communist governments. Britain and France believe they can do business with the Red dictators and are prepared to make concessions of the most extreme order. The United States realistically takes the view that the communists cannot be appeased without risking the greatest dangers to the free world. Yet, we have not been permitted to follow through with our fundamental policies because of the opposition of our chief allies.

The Treaty, as it now stands, is merely a facade. For example, the principal nations of continental Asia, outside of Thailand and Pakistan, are not signatories. India has refused to participate and Nehru has convinced Burma, Malaya and Indonesia that they should not participate either.

The British, staking all on Nehru's goodwill, have not dared to persuade him to take a course more favorable to the West. In fact, for all intents and purposes, British policies on Red China do not vary essentially from that of Nehru himself.

Despite the irreconcilable difference between the British and ourselves on the question of China, we

have weakly allowed ourselves to continue to be influenced by their appeasement policies. To make matters worse, we have allowed them to talk us into not inviting Nationalist China, South Korea and Japan into the Treaty. Yet, only the inclusion of these dependable Asiatic allies could have made the Treaty a living thing and a workable instrument against communist aggression.

WHERE TO NOW?



Little, in the Nashville-Tennessean

Nor have the French proved more cooperative. Having sabotaged EDC, they have compounded their errors by making us pay the price of their defeat, in Indo-China which has made it difficult for us to bring Laos and Cambodia into the Manila agreement under the terms of their surrender to the communists.

That Americans should not be showing much enthusiasm over the Southeast Asian Defense Treaty should not be surprising. They are getting tired of paper treaties. They now want this government to establish a clear line of policy in Asia and to stick to it, and not to allow itself to be deflected any longer by supine and unnecessary yielding to the entreaties of short-sighted and wrong-headed allies.

An ironic footnote to the lamentable situation is Clement Atlee's obvious disenchantment with the Peiping government after his trip to Red China.

Not only have the Red leaders in China made propaganda of his visit but the impressive sign of respect offered to them by an ex-prime minister of Britain has not gone unnoticed among Asiatic nations. This is all grist to the mill to the communists.

Appeasement of the communists has cost the free world dearly. Moscow and Peiping feed on appeasement and have grown strong on it. Already, huge portions of Asia have been lost to the free world through its timidity in dealing with the communists. Even the Korean war was fought under wraps, as it were, lest the sensibilities of our allies be offended, with what cost to the (Please turn to page 778)

Weighing Action of Individual Stocks vs. General Market

Stock prices have now had a partial recovery from the sizable correction which ran to August 31. Pending a decisive test either of recent lows or of the August highs, near-term and medium-term potentials will remain in doubt. We suggest continued holding of good stocks, maintenance of adequate reserves, high degree of discrimination in new buying.

By A. T. MILLER

The stock market spent most of the past fortnight in staging a partial recovery from reaction lows reached August 31 on a retreat of nearly 15 points by the Dow industrial average from its bull-market high (to date) of 350.39 attained on August 20, and of a little over 8 points by the rail average from its high of August 8. At this writing industrials have made up 82% of the sell-off, rails about 40%—and the rally shows some sporadic symptoms of running out of steam. For the sluggish utility average the reaction, running from August 20 to 31, amounted to about one and a half points, and approximately half of it has now been made up.

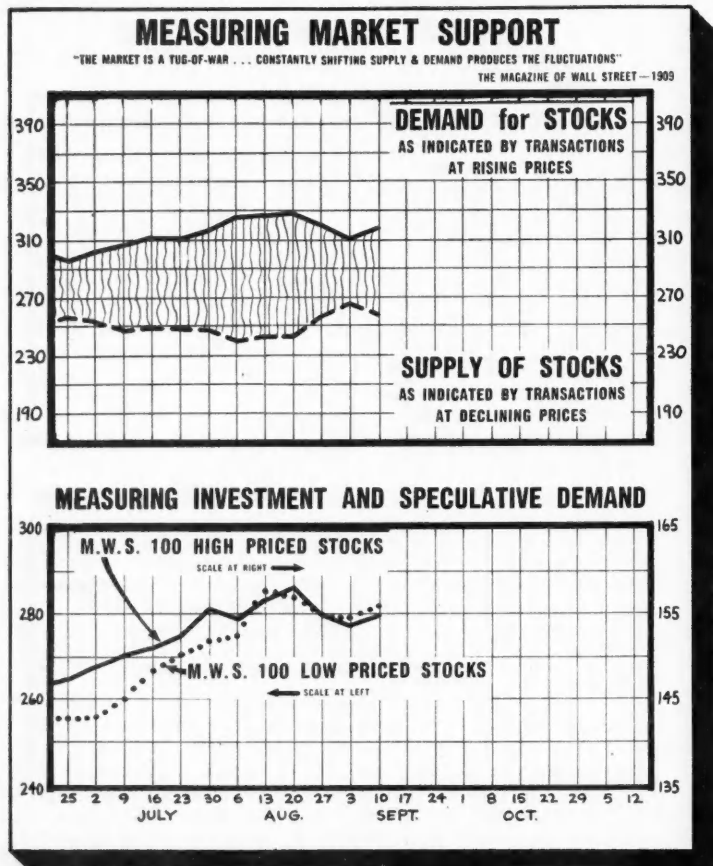
With investors and traders obviously more cautious and hesitant than in some time, a question

about what the market might do over the near term and the medium term has superseded previous confidently bullish assumptions. Is the bull market over or merely interrupted? If the former, is decline likely to be serious and protracted? If the latter, will the rise be resumed any time soon without a test or violation of the August 31 lows before an adequately solid base is established? Only market action can answer these questions; and the sensible policy is to let the market tell its own story, meanwhile deferring any general enlargement of commitments in common stocks. The test points to watch are, of course, the August highs and lows. A bullish answer could come quickly if the current rally should gather momentum and take the averages to new

highs. Otherwise, the significance of the phase begun with the recent sell-off might take considerable time for clarification.

Some Technical Considerations

Considered by itself, the reaction to the August 31 lows was fairly moderate, amounting to only 4.2% for the industrial average and a little under 7% for rails. However, there are background considerations which justify a cautious view for the present, and which put the burden of proof on the bull side. The market began to look "tired" for several weeks before the reaction started, indicating considerable distribution under cover of moderate strength. The August highs of both the industrial and rail averages were only slightly above the best levels reached in July. There were two downturns in August (one in the first week), the second carrying under the levels reached in the first, a pattern not seen before in any previous months of the 11-months uptrend from the lows of September, 1953. August as a whole was a minus month for average stock prices, the first such instance since last December, when there was a minor net loss on the month. Trading volume reached relatively high levels on strength in July, the subsequent August top was made on moderately lower volume, and volume has been materially lower on the rally to date, in reflection



of the more hesitant investment mood.

It is axiomatic that every bull market will in due time be checked by an intermediate correction of some scope and duration, in contrast with the minor corrections in this instance prior to late August; and there is always a question whether what appears to be a sizable "correction" will prove in retrospect to have been the start of a reversal of trend. The higher is the level of stock prices at which a sell-off begins, and the longer has been the prior advance, the more reason is there for prudent watchful waiting for more positive indications.

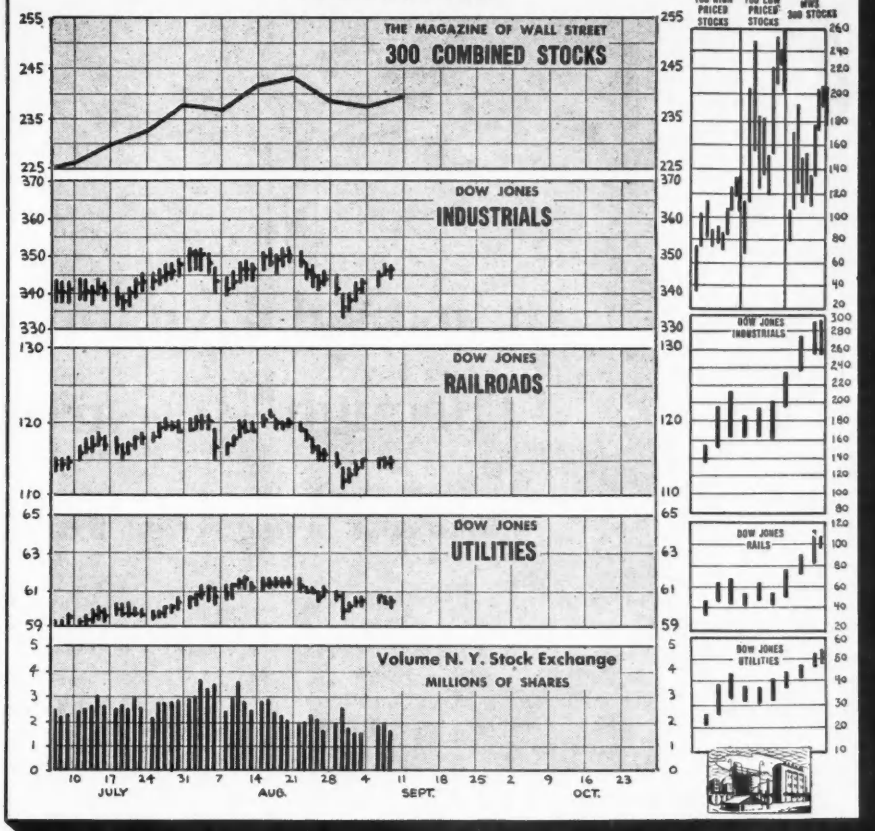
The August reaction began after a largely uncorrected 11-month rise of about 95 points, or some 37%, in the industrial average; with the average at the highest level since October, 1929, and with average dividend yields on representative industrial equities whittled down to around 4.5%, compared with over 6% at the September, 1953, low. It began with industrial stock yields pared to about 1.6 times high-grade corporate bond yield, the lowest such figure since 1946. It began after the market performance had for some weeks been becoming steadily more speculative, with secondary and lower-grade stocks taking on increasing leadership; and with higher-grade stocks faltering as a result of sharply reduced yields and growing reluctance of investors to keep bidding up for them.

The advance began as a rebound from an over-sold position, reached after about an 8-month minor bear market in 1953. It was sparked by the Administration's shift to an anti-deflation easy-money policy and the resultant major rise in the bond market, drastically reducing bond yields; by rising faith in the moderation of business recession; by income tax and EPT relief, and promise of dividend tax credits which turned out to be much smaller than the Administration had proposed; by generally better corporate earnings than many had expected; and by the continuing moderate uptrend in total dividends. Finally, with the tangibles largely discounted, confidence began to feed on confidence, as usual in the upper reaches of a bull market.

The Present Prospect

We will continue to have easy money, but it is unlikely to get easier. The bond market recently has been under mild pressure, in anticipating of heavy autumn new offerings by corporations and state and local governments. Business activity in recent months has "made a line", getting neither worse nor

TREND INDICATORS



better. There is still hope for a mild fourth-quarter upturn, reduced hope that it will amount to much. Additionally, there is more emphasis on the possibility that the Republicans may lose control of one or both houses of Congress in the November elections, putting the remainder of the Eisenhower program in jeopardy, and raising a question whether some of the confidence-inspiring things heretofore done might not eventually be undone.

On the other hand, it must be noted that at the August highs price-earnings ratios were considerably more moderate, dividend yields materially higher, and the spread between stock and bond yield substantially more constructive than at the bull-market highs of 1946, 1937 or 1929; that speculation, measured by margin debt and otherwise, had not run to past extremes; and that stocks were generally in stronger investment hands than in the past. A basis for serious decline is not now apparent. Institutional demand will remain an important support. The pay-off, especially from a longer-range view, will still depend more on stock selection than on what the "averages" do. Even though reduced, as compared with a few weeks ago, a sizable number of individual stocks are currently reaching new highs for the year or longer for individual reasons. These issues are to be found in specialized groups and are meeting with good demand regardless of general market conditions. No change in our conservative, selective policy—which calls for maintaining adequate reserves for later buying opportunities—is called for.—Monday, September 13.



New Industrial Dynamism Through Research

*Bringing Wave After Wave
of
Technological Innovations*

By W. A. LUKENS

The rapid pulse of new technological research and discoveries has already reached a tempo which is profoundly affecting the future destinies of American corporations and investments. The investor who is not cognizant of these changes risks not only missing the great opportunities which stretch out endlessly but endangers his position by clinging to investments representing companies that have been slow to recognize the impact of the changes which have occurred. Obviously, no subject relating to the investment field can match this in importance.

The dynamic character and growth of our economy is now entirely dependent on the course which research is taking, particularly the specific developments flowing out of these research activities. Entirely new fields embracing products undreamed of not long ago have been opened up which are actively being exploited by far-sighted managements and resulting in widening the base of their corporation's earning power.

This development is by no means limited to the larger corporations but is actively participated in by a host of smaller companies, often without the necessary experience to guide them. Furthermore, they may not possess resources adequate to finance extensive research and to prepare the new products for market. In this respect, the larger corporations unquestionably possess a decided advantage for they not only command the needed know-how but have access to the large financial means with which to fully implement these often revolutionary activities. This is essential, for often even the most experienced corporation may make false starts and, as a result, be compelled to forfeit large sums in unsuccessful new undertakings. Yet, this is easily absorbed in view of these corporative vast financial assets.

Motivating many companies in research and development of new products, is the need to strengthen the nation's military might with the most advanced weapons of war.

Research for Defense

Since the caveman first discovered that he could throw a stone farther than he could extend his arm, there has been slow but continuous progress in the twin problems of attack and defense. Centuries intervened between major advances as, for instance, between the bow and arrow and gunpowder. Dating approximately from the First World War, the rate of advance has been accelerated; from the Second World War to now that rate has been fantastically increased, involving the older sciences and stressing the increasing importance of chemicals, aerodynamics, electronics, and atomic energy, the latter both as a war weapon and a source of energy.

In a recent address, Admiral Arthur Radford, Chairman of the Joint Chiefs of Staff, said: "We have to devise, develop, test and produce equipment superior to that produced by any other nation. This will be the task to which American industry will give of its best efforts." At its session recently concluded, the Congress appropriated \$1,182,944,000 for research and development. That sum surpasses the entire cost of the Army and Navy at the start of the First World War! The assignment of such an amount of money reflects the final acceptance by the high commands that in part, at least, our laboratories and experimental stations can be regarded as the real battlefields of the future; conceivably the very near future.

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\$345 million is given to the Army; \$419,784,000 is allocated to the Navy, and \$418,070,000 earmarked for the Air Force solely for research and experimental work.

Few strings are attached to these huge appropriations as, obviously, new fields are to be opened and it is expected that weapons and devices will be produced which do not even now exist to which strings could be attached.

Inevitably, the armed forces must work in close cooperation with industry to develop not only new weapons, but new materials, new processes and new techniques, inasmuch as industry has become in recent years a sort of foster mother to scientific achievement.

The work carried out by industry on behalf of the Army, the Navy and the Air Force is invariably in fields in which these branches of the military are directly concerned. Basically, this scientific research has to do with offensive and defensive weapons, various equipment, new fuels, improved methods of boxing and packaging, and the bringing forth of many other items that are now in or have yet to reach the embryo stage. Research and experiment in these fields frequently lead to new products or the improvement of established products applicable to civilian use. Separate and apart from this type of research, however, is the work being done, on an increasing scale, by industrial companies in many fields in their own laboratories staffed with their own chemists, engineers, and other personnel, and by company grants through the research laboratories of the universities.

Industry Expanding Research Work

In these groups are the big, the small and the intermediate-size corporations. These companies are spending huge sums annually for research. Estimates of actual annual expenditures vary, but probably the most accurate measure is that of the Research and Development Board, Department of Defense, placing industry's research expenditures in 1953 at more than \$1.7 billion. This is aside from appropriations by the Government in 1953, estimated at close to \$2 billion, the greater part of which was devoted to research in the aircraft, guided missile, and the electrical machinery fields. Industry's direct and indirect expenditures in furthering scientific research would be even higher if funds voted for scholarships were included. Each year, a number of outstanding companies in their respective fields set aside funds to provide scholarships for undergraduate students at universities throughout the country to encourage the training of personnel, especially in engineering and the sciences, for tomorrow's research staffs. This forward look is in

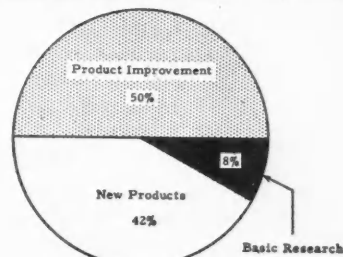
keeping with industry's broadening policy to move beyond the limits of today's knowledge boundaries toward the broader horizons of tomorrow, meaning as much time as five or more years hence.

There are several impulses for this forward movement. One can be aptly called the impulse for self-preservation. The time is past, if it ever was, when a manufacturer could put a product on the market, concerning himself merely with pricing to meet competition, and at the same time remain static concerning both product quality and production methods. Under today's broad research programs, unless a manufacturer can keep pace with competition and produce a still better product, he is on his way out of business, if not soon, then eventually. Recognition of this fact explains why companies with intelligent research programs are spending approximately 50 per cent of their research appropriations for the improvement of established products or processes. Equally vital is the need to develop new products, providing greater diversification as well as a broader base for continued growth. This is why many progressive companies, looking ahead, spend approximately 42 per cent of funds set aside for research which has for its targets the creation of new products or new processes.

Market's Evaluation of Growth Potentials

Research, well planned and executed, increasing in intensity over recent years, has brought about the greater American industrial dynamism, with manifold results, including the raising of the nation's living standards, added national wealth, not alone in new products but in more manufacturing plants, machine tools and other capital goods and increased employment of workers. While many of our leading industrial companies have gone along manufacturing their older products on a satisfactory profit margin, their fastest growth in recent years from an earnings standpoint can be traced to the development of new products. The shares of these companies command a comparatively high market value based not only on what has already been achieved but as investor evaluation of further growth that is indicated for these companies because of their broad research facilities and continuous efforts to develop other new products and processes. In other words, the growth potentials of such issues are given greater importance than per share earnings by investment managers. Herein lies a precept for any investor seeking a vehicle for investment funds primarily for the purpose of capital gain through growth. As set forth in our "Projection and Forecast for 1954", which we published toward the close of last year, an investor with this objective should ask: "is the company in which I am

Every major, and many smaller, companies spend more and more for research each year. U. S. corporations now spend \$4 billion a year to meet the vast technological requirements of this fast moving age. The government itself contributes heavily to this gigantic outpouring of funds in order to hold the lead in fantastic instruments of war. In the rush for technological superiority, some companies are taking a commanding lead; others will fall by the wayside for lack of funds or experience. This important article tells what the investor should look for in gauging the effects of these immense developments on the companies in which he is interested.



DISTRIBUTION OF COMPANY FINANCED RESEARCH WORK

Leading Companies Stressing Importance of Research

IN ATOMIC ENERGY

American Cyanamid Co.
The Babcock & Wilcox Co.
Climax Molybdenum Co.
The Dow Chemical Co.
duPont de Nemours (E. I.) & Co.
General Dynamics Corp.
General Electric Co.
Goodyear Tire & Rubber Co.
North American Aviation, Inc.
Republic Steel Corp.
Union Carbide & Carbon Co.
Vanadium Corp.
Westinghouse Electric Corp.

IN GLASS FIBERS

Ferro Corp.
Libbey-Owens-Ford Glass Co.
Owens-Corning Fiberglass Co.
Pittsburgh Plate Glass Co.

IN ELECTRONICS

American Tel. & Tel. Corp.
General Electric Co.
Minneapolis Honeywell Regulator Co.
Radio Corp. of America
Westinghouse Electric Corp.

IN PETROCHEMICALS

Gulf Oil Corp.
Phillips Petroleum Co.
Shell Oil Co.
Standard Oil Co. (New Jersey)
Texas Co.

IN SYNTHETIC FIBERS

American Cyanamid Co.
American Viscose Corp.
Celanese Corp. of America
The Dow Chemical Co.
duPont de Nemours (E. I.) & Co.
Eastman Kodak Co.
Monsanto Chemical Co.
Union Carbide & Carbon Corp.
Virginia-Carolina Chemical Corp.

IN CHEMICALS

Allied Chemical & Dye Corp.
American Cyanamid Co.
The Dow Chemical Co.
duPont de Nemours (E. I.) & Co.
Eastman Kodak Co.
Goodrich (B. F.) Co.
Hercules Powder Co.
Monsanto Chemical Co.
Union Carbide & Carbon Corp.

IN METALS AND ALLOYS

Allegheny Ludlum Steel
Crane Co.
duPont de Nemours (E. I.) & Co.
Eagle Picher Co.
Fansteel Metallurgical Corp.
General Electric Co.
National Lead Co.
Union Carbide & Carbon Corp.
Westinghouse Electric Corp.

IN MISCELLANEOUS FIELDS

American Can Co.
Colgate-Palmolive Co.
Continental Can Co.
Corning Glass Works
General Foods Corp.
Merck & Co.
Owens-Illinois Glass Co.
Pfizer (Chas.) Co.
International Business Machines Corp.
Owens-Illinois Glass Co.
Pfizer (Chas.) Co.
Proctor & Gamble Co.

considering making an investment as active as it should be in research; is it successful in developing new products and new markets; are its products basic to the economy; is it in a position to meet the competition of other companies having these qualifications?"

There are a number of qualifying companies. Reference to some of the leaders will be made later in this article. In looking at them, especially their market prices and earnings, it will be seen earnings, in most cases, are startlingly small alongside their comparatively high market value.

A good example, as pointed out in our book late last year, is Rohm & Haas Co., a manufacturer of chemicals. We said then: "For 1952, this company's earnings amounted to only \$5.73 a share (after taxes) and yet the stock has ranged this year (1953) as high as \$115 to \$141 a share. Even inexperienced investors must realize that a very high premium is being paid for this stock. The reason surely cannot be the size of earnings for they look rather small compared with other stocks which have the same earnings, but sell at half the price or less. The answer, therefore, must be found in some hidden aspects of the company which apparently, in the minds of investors, are worth a great deal more than the actual earnings reported."

"Upon examination, it will be found that the company is the largest producer in the new and highly important field of acrylic chemicals. Some of the products derived from this base are expected

to have revolutionary effects on many other industries."

Since the foregoing was written, Rohm & Haas has, on the basis of 1954 first half-year reported earnings, about doubled its net profits. For all of last year, the company showed net for the common stock equal to \$6.73 a share. For the first six months of this year Rohm & Haas reported net profits for its common stock equal to \$6.38 a share. Meanwhile, the company's growth potential, climbed to a new high at \$261 1/4 a share, and is currently selling around \$250. On the basis of 1954 first half-

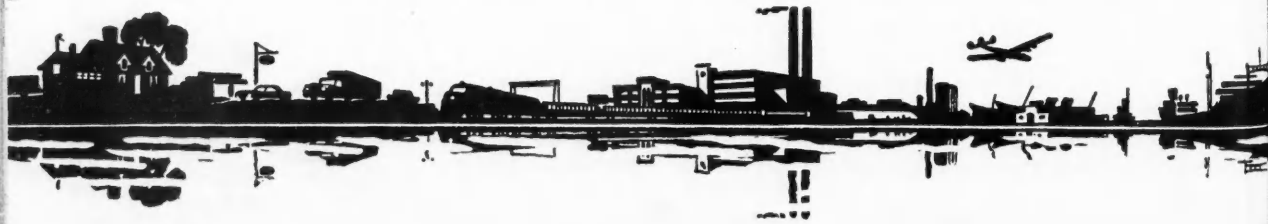
year reported earnings, full 1954 results will, it is estimated, about double 1953 full year net, indicating, among other things, that production of acrylic chemicals by the company is beginning to pay off.

Problems of Smaller Companies

This has not been an overnight development. Research in acrylic chemicals required time. Time also was required to bring these products to the point of production and then properly exploit them. It is estimated that, on the average, research undertakings in the chemical industry cover a span of from five to seven years from the initial laboratory work to the first production ready for shipment. The time required for other research project may vary somewhat from this, but still considerable time must elapse until the product can be put on the market, development and new facilities expenses recouped before full realization of the end result—net profit—is possible.

Obviously, many research projects must be undertaken as long-range propositions. This fact creates a problem for certain companies, particularly those with limited working capital and limited earnings which preclude the possibility of appropriating funds to carry on research work that may collapse before fruition because of the exhaustion of available funds.

For the smaller companies, this poses a serious problem under today's conditions that make research



a must for many companies as a base for growth, let alone survival in this age of intensified competition from competing companies in the same field and from new and improved products. Even if funds are sufficient to support research to the point where a new product is brought forth, there still are other questions to be answered and other problems to be solved. It will be necessary to calculate the potential sales volume of the new product, facilities required for production on a commercial basis, and estimating operating costs, including labor and material. When these facts are determined, management must satisfy itself that it has at hand the technical ability to produce the product, the financial resources to exploit it and the marketing facilities to give it proper distribution.

It is apparent then research undertakings must be well planned. They cannot be initiated haphazardly or on a "wish being father to the thought" basis. And yet, the pressure to embark on the sometimes bewildering sea of research increases as new materials and new products constantly emerge from the laboratories and are placed on the market, with each new discovery creating newer and wider fields for more discoveries. Some of the discoveries in recent years in a particular field have spurred greater research activity in other fields with many ramifications as a result. Outstanding in this respect is the rapid developments that continue to take place in electronics. Out of the research laboratories of American Telephone & Telegraph Co.'s research and development organization came the transistor, a device no larger than a kernel of corn that has speeded the development of improved communications systems and the general progress of the entire electronics industry. This isn't all. Invention of the transistor has also brought into employment a new and simpler method for refining germanium by zone-melting, a process which it is believed can be used to refine other ultra-pure metallic materials.

The transistor, of great importance and holding promise of becoming more so, is but one of the developments in the Bell Telephone Laboratories. The company, continuing to build for the future is constantly developing new equipment in support of which it spent in 1953 for development and research more than \$20.6 million. This sum was approximately \$2.6 million more than the company spent for the same purpose in 1952.

Electronics in War and Peace

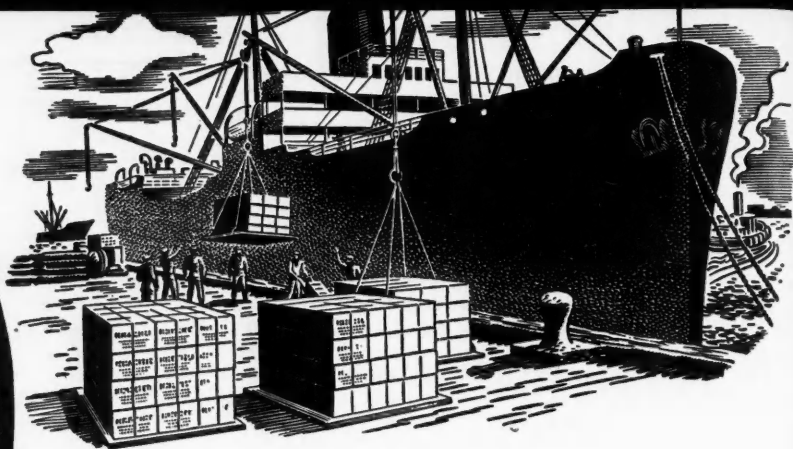
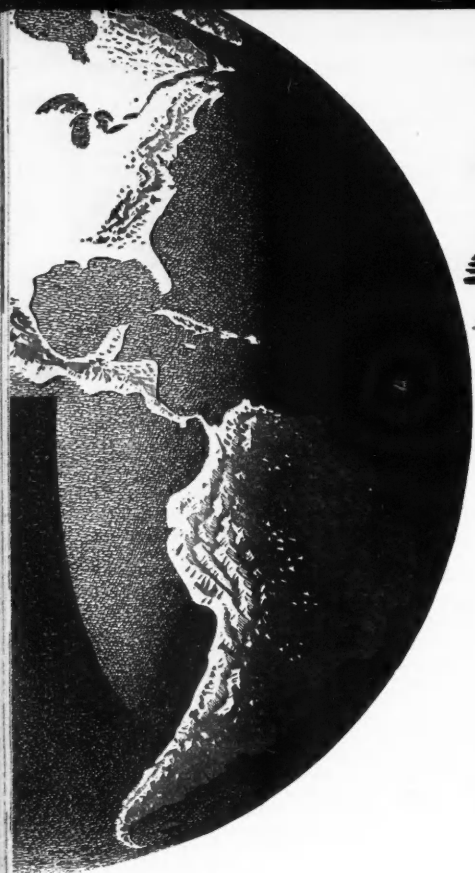
Electronics covers a broad field. Electronic devices in military operations—communications, operation of aircraft, gunnery, guided missiles—are an important part of the nation's defenses. Their peaceful uses likewise are manifold in business, factories, railroad operation, in radio and television, record players, and many other fields. The potentialities, especially in factory automation and in connection with various types of other equipment, are such as to make it impossible to place any limit on what is yet to be developed in this field. An indication of what is the fact that a number of leading companies are engaged in electronic research work.

Prominent among this group is the General Electric Co., whose substantial growth since World War II, incidentally, has been entirely from within, substantiating company belief that there is no more important activity than research and development in contributing to

(Please turn to page 768)

Major Research Developments by Leading Companies

Allied Chem. & Dye	Research and development expenditures in 1953 totaled \$14.5 million. Opened two new research laboratories and two additional facilities scheduled for early completion for intensified research in synthetic resins, plastics, industrial chemicals, fertilizers, synthetic fibers and synthetic organic chemicals.
American Cyanamid	Two important developments from 1953 research were tetracycline, the new broad spectrum antibiotic, being marketed under trade name "Achromycin," and a new non-mercurial diuretic, under registered trade name, "Diamox." Company in 1953 spent \$20.3 million for research and process development.
Am. Tel. & Tel.	Its Bell Telephone Laboratories produced the transistor, making possible radical improvements in communication systems and having wide application in electronic devices. Another important development is the oscillator expected to be of tremendous value in the development of future microwave radio relay systems. Cost of research and development work by the laboratories for A. T. & T. in 1953 amounted to \$20.6 million.
Corning Glass Works	An outstanding development through research by Corning recently is an all-glass aperture mask containing more than 200,000 accurately spaced holes within an area of 12 inches in diameter. It is for use in certain picture tubes for color television. Another development is a glass bulb for color TV picture tubes, and still another is a special type of glass for the protection of atomic workers from gamma radiation. Corning spent \$5.2 million in 1953 on research and development and is expanding facilities through a planned new and larger research center.
Dow Chemical	Dow's vast research undertakings can be measured by the fact that in 1953 it had in operation 59 pilot plant projects, 11 of which were concerned with products entirely new to the chemical industry. Research last year produced a number of agricultural chemicals, an improved "Styron," titanium metal, and butylene oxide, a product useful as a solvent and in the manufacture of detergents. Dow is also continuing its studies directed at the development of commercial atomic power. It is estimated it expended about \$12 million in 1953 for research and development.
duPont de Nemours	An almost constant flow of improved or new products came from duPont's research and development expenditures for the year were close to \$58 million, with emphasis being put upon research in synthetic fibers, titanium, animal feed supplements, synthetic resins, plastics, agricultural and industrial chemicals, and atomic energy.
General Electric	Among recent outstanding research achievements were development of new silicone uses; high-temperature alloy for jet engines; thin-wall panel insulation against heat, and new electronic devices. Research and development expenditures last year estimated at \$62 million.
Chas. Pfizer & Co.	Research last year resulted in the introduction of 78 new products or dosage forms.
Union Carbide & Carbon	Research, through 23 research and production development laboratories in 1953.
Westinghouse Electric	(See text)



Our Vulnerability in Critical Materials

By McLELLAN SMITH

(Editor's Note—The United States secures some 80% of its critical and strategic materials from foreign sources—Africa, Asia and South America. In case of war, we stand a good chance of being cut off from these desperately needed supplies. We need these materials in peace as well. This important article tells what the government is doing to make us less dependent on foreign supply sources which, in many cases, are under the guns of the potential enemy. For the investor as well as all citizens, the facts set forth have practical value.)

World War II, the "police action" in Korea which cost more in money and critical materials than the War Between the States, technological advances, a rapidly expanding population—coupled with military tensions about the globe, have combined to bring this country to the point where we are almost a "have not" nation with respect to many materials essential to the maintenance and expansion of our industrial structure and vital to national defense. Hot and cold wars of the past 15 years have seriously depleted natural resources we heretofore either considered unlimited, or paid scant attention to as we poured them into smelters, rolling mills, etc., for the all-out production of weapons. Like the toper who awakens from a prolonged spree, we find ourselves deficient in those "vitamins" necessary to a strong, healthy body.

In fact, we find ourselves wholly lacking or sadly deficient in 77 materials necessary to the continued expansion of our economy, most of them vital to the

defense of the nation, and many of them unobtainable should war come again. Included in the 77 are minerals and non-minerals, ranging from aluminum to zinc and zirconium in the minerals group; from bristles to sperm oil and wool in the non-minerals classification. In both groups—mineral and non-mineral—there are items which we simply do not find in this country, or which exist in such infinitesimal amounts as to be worthless. It is in these areas that we must stockpile from foreign sources, develop satisfactory substitutes or conduct extensive exploration where even traces of rare elements have been found, such as platinum and uranium.

For the first time in our history, a Senate subcommittee has conducted an exhaustive investigation of the accessibility of critical materials to the United States in time of war, with emphasis as to its effect on the security of the Nation. Parenthetically, it can be noted that just about all of the materials studied by the group are highly essential to a peace time economy and must be obtained increasingly in almost direct ratio to the increase of population. To oversimplify a bit: if the population increases 20 per cent in the next 15 years, then we will no doubt need at least 20 per cent more of these various scarce materials to sustain normal industrial structure 15 years hence.

Speaking solely from the war angle the subcommittee, which was headed by Sen. George W. Malone, Nevada Republican and a mining engineer of national repute, had this to say of the critical materials shortages:

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of this Nation is in serious jeopardy. We are dependent for many of our essential raw materials on sources in far-off lands, many under the control of possible fickle allies or timid neutrals, some veritably under the guns of our potential enemies. And what is perhaps a more devastating conclusion of this committee is that none of this vulnerability need exist. Long overdue corrective measures should be undertaken at once."

This statement came after 10 months of investigation and study in which were heard more than 360 witnesses, including distinguished engineers, military authorities, scientists, and experts familiar with the problems of securing essential raw materials for war and for peace. The committee's examination was concentrated on the 77 raw materials which the Secretary of Defense had declared "indispensable and essential" in waging modern warfare many of which we have acquired by imports from abroad. (43 of the most vital of these products are depicted on the accompanying charts.)

To a large extent, availability of critical materials essential to defense and which are vital to our civilian economy have had great influence on our foreign policy, the Committee said, asserting the known availability of the necessary critical materials in the Western Hemisphere—in an area that we can defend—should have a real impact on future foreign policy and defense decisions. In this statement the Committee no doubt is rapping those in Government responsible for the creation of the now-defunct International Materials Conference which unsuccessfully tried to allocate scarce materials to the various countries of the free world without too careful regard for the needs of the United States. Continuing on the theme of developing materials sources in an area which we can defend, the Committee declared the Western Hemisphere can become completely self-sufficient in the production of the necessary critical materials in time of war. This Nation can materially increase its own economic production of strategic and critical materials by strengthening its laws regulating foreign trade, the Committee added.

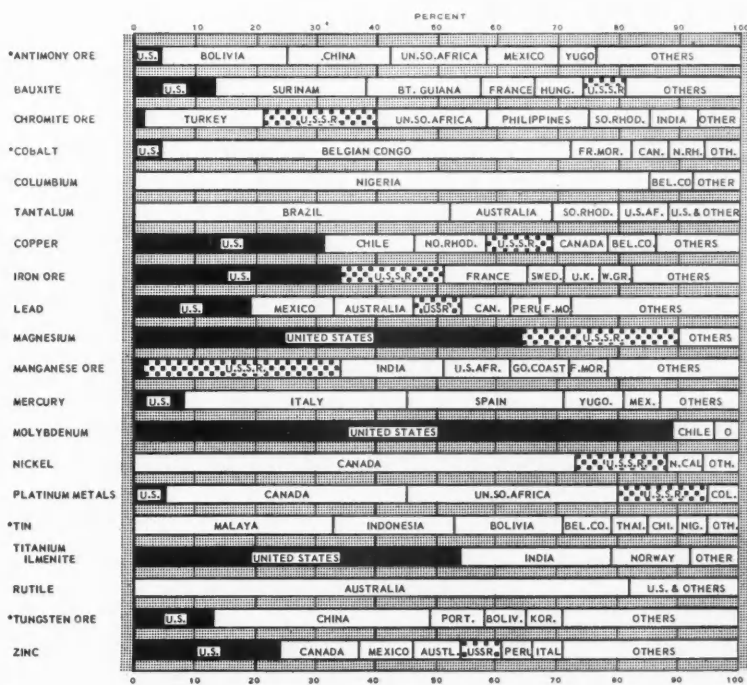
The Committee made several recommendations to overcome a situation which is proving of so great concern. These recommendations included closest cooperation among the nations of the Western Hemisphere; elimination of our present dependency upon remote and possibly unfriendly or neutral areas for the critical materials necessary to modern warfare; continued operation of the tin smelter at Texas City, Texas, the only tin smelter in the Western Hemisphere;

increased depletion allowances to producers of critical minerals and materials as further incentive to greater production; acceleration of the Federal stockpiling program; rejection of international controls of production; appropriations of \$50 million annually to establish and operate a comprehensive 5-year program of laboratory, pilot plant, and exploratory research and the study of substitutes, including synthetics and replacements; increasing the production goal for titanium, and that goals for production of uranium for fuel to be made adequate to meet both military and civilian requirements. These are highly practical recommendations.

When one writes or talks of strategic materials for defense, uranium, heart and body of the Atom Bomb, is uppermost in men's minds. Do we have adequate supplies of this rare element? How dependent are we upon foreign sources? Where do we get it now? How much must we have in the future? These are questions which clamor for an answer and, since the answers are well wrapped up in security regulations, we have to grope for them. It is no secret that we are now largely dependent upon mines in the far-off Belgian Congo, with cargoes vulnerable to submarine attack in time of war. Uranium has been found in the Northern reaches of Canada, in portions of the United States, but in what quantities is a closely guarded secret.

That our greatest potential enemy, Russia, has found this rare element in the Urals, East Germany and Czechoslovakia is well known to our intelligence agencies. How much the Reds have found is not known, but recent press dispatches report

PERCENT OF WORLD PRODUCTION OF SELECTED STRATEGIC METALLIC MINERALS
UNITED STATES AND LEADING FOREIGN PRODUCERS, 1952



*U.S.S.R. NOT INCLUDED IN WORLD TOTAL

PREPARED BY FOREIGN MINERALS REGION,
U.S. BUREAU OF MINES

The charts, in connection with this article, depict precisely the degree of U.S. dependence on foreign sources for important critical and strategic materials.

United States officials estimate it to have been enough to make 44 A-bombs. Doubtless we have made many more, but perhaps less than half-dozen in Government know how many more. Certainly our stock pile of these weapons is healthy, or the Atomic Energy Commission, supported by the President, would not be diverting increasing quantities of uranium to industrial experimentation, especially for the generation of electrical energy.

Meanwhile, we continue the search for uranium in this country. The Defense Minerals Exploration Administration, created under authority of the Defense Production Act of 1950, is bending its energies toward finding uranium within the continental United States. As of December 31, 1953, last date for which figures are available, DMEA contracts for uranium search and exploration under way numbered 32, with a total estimated cost of \$814,432, of which \$732,991, or 90 per cent, is the Government's contribution. Since the December 31 report, ten additional contracts have been certified, but dollar value of contracts involved is not available; it may be considerable, but in any event this is an area in which we should spend even greater sums—not only for defense purposes, but to assure our expanding industry adequate supplies as more is learned of converting atomic energy to electric power.

High on the list of strategic materials is titanium, a modern metal for our progressive industry and a "must" for modern war planes. Light, strong, dur-

able and corrosion resistant, when titanium is properly designed into a plane it will effect a saving of more than eight pounds in the airframe for each pound of weight saved by substituting titanium for stainless steel. Equal weight savings can be effected in railway and other equipment essential to an industrial economy.

Our position with respect to titanium, as compared to other materials in the list of 77, is better from a source standpoint, but we are still deficient in production. Raw ores are plentiful in the United States, Canada and Mexico, but annual production of the finished metal is now at the rate of only 2,000 tons, while experts declare we need a minimum of 150,000 tons per year for the manufacture of war planes alone. This is an area in which we could profitably subsidize producers, through rapid depreciation allowances or direct appropriation, until such time as output is abreast of defence and industrial demands.

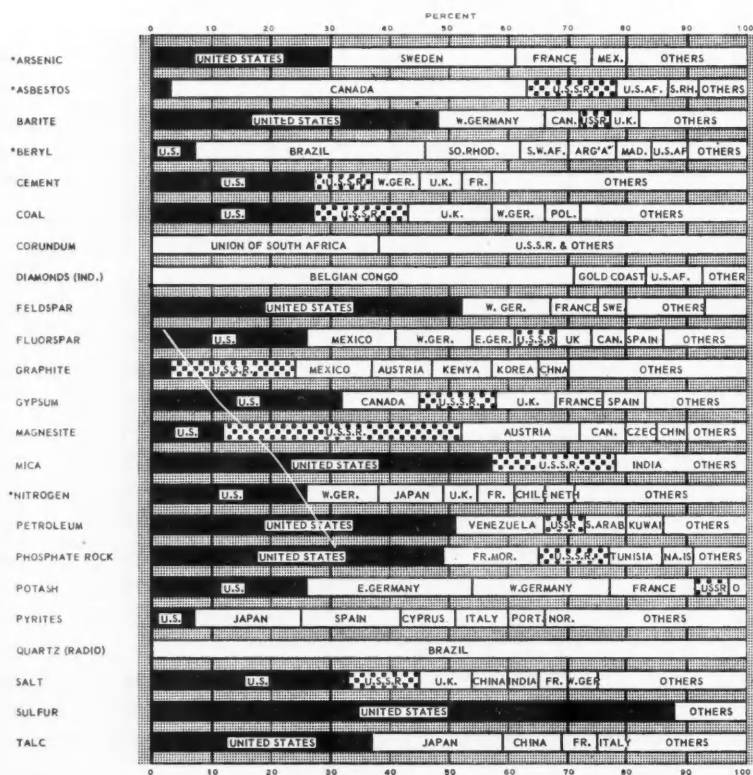
Cobalt, highly essential in alloying high-speed steels, is still another "must" for both military and peace-time uses. Our deficiency here is somewhere between acute and alarming. Domestic production in 1953 totaled 1,253,000 pounds while domestic consumption was 9,182,000 pounds! About 80 percent of the world supply of this vital metal comes from Africa, which means we would be in a bad spot for supplies if war comes. Laterite deposits in Cuba contain the largest potential reserves in the world, but extensive research is needed on methods of recovery.

At present, the General Services Administration is financing two large-size projects for work on the Cuban deposits. There are large deposits in the United States, but intensive research must be undertaken to solve the problem of economic recovery. Solution of this problem in Cuba and the United States would make the Western Hemisphere self-sufficient.

Copper, with more industrial and military uses than can be enumerated here, is not so plentiful as we could desire. Our mine production in 1953 was 925,000 short tons, while domestic consumption of new copper was 1,435,000 tons, the deficiency being made up by imports from Chile and Peru with some tonnage coming from Africa. Our copper position is better than with uranium, cobalt, titanium and some of the other metals. New projects, operating under the Defense Production Act, can be expected to increase domestic production by 250,000 tons annually and that within the near future. Further, we have learned many substitutes for copper, among them aluminum, clad metals, other alloys and plastics.

Aluminum's strategic significance lies primarily to its use in air- (Please turn to page 770)

PERCENT OF WORLD PRODUCTION OF SELECTED NONMETALLIC MINERALS
UNITED STATES AND LEADING FOREIGN PRODUCERS, 1952



*U.S.S.R. NOT INCLUDED IN WORLD TOTAL

PREPARED BY FOREIGN MINERALS REGION,
U.S. BUREAU OF MINES

The BATTLE for control of MONTGOMERY WARD

By F. A. WILLIAMSON



Chairman Sewell Avery

One of the most sensational battles in history for the control of a major company is now underway. The circumstances are bizarre in the extreme and this is what undoubtedly adds to the interest of millions of citizens as they watch the drama unfold.

On one side is 80-year old Sewell Avery, chairman of the Board of Montgomery Ward & Co., second largest of the nation's retailers, exceeded in volume of sales by only Sears, Roebuck & Co. On the other, is a 42-year old newcomer, Louis E. Wolfson, hailing from Florida, and with an impressive record of financial dealings, somewhat reminiscent of the old days of big-time market operators. Mr. Wolfson is not alone in his ambitious operation but he is the chief figure among his associates.

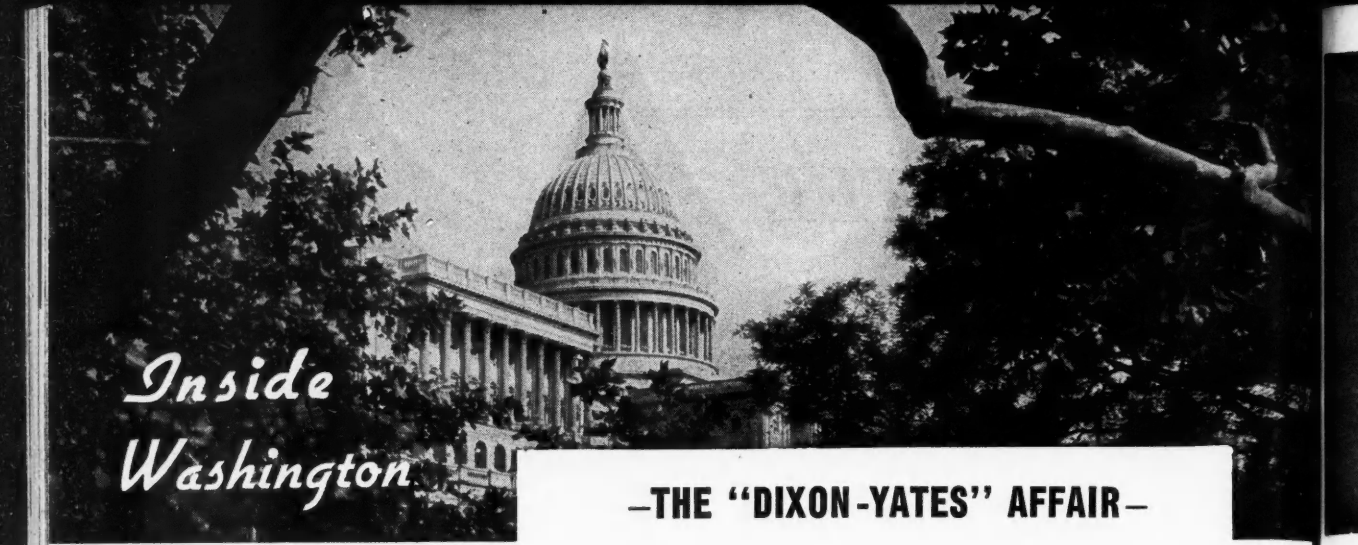
The stakes are control over Montgomery Ward, more particularly, the \$290 million cash and government security cache—equal to \$45 a share on the stock—built up by that old curmudgeon, Avery, and which he watches like a hawk, defying all and sundry to take it way from him. Although he has been the subject of bitter criticism for years, Mr. Avery is not just being obstinate in refusing to employ his cash for expansion, unlike Sears which has used its resources and which has forged ahead rapidly. He firmly believes that Ward's nest-egg will come in handy when and if the United States meets the depression which he believes is around the corner. True, he has believed in this dire possibility for some years without seeing it materialize but this does not "faze" him. He still believes his policy is a sound one.

Wolfson and his associates, on the other hand, are firmly convinced that Ward will not attain the heights to which it is entitled unless Avery is unseated. They believe the \$290 million horde should be put to work and that further, if it had been put to work, Ward would have been far ahead of where it is today.

This argument, which has been put forth by numerous commentators, including 5 Ward presidents and 32 vice-presidents who were fired by the old gentleman for disagreeing with his policies, is worth some analysis. Looking at the situation from the viewpoint of what Sears, Roebuck was actually able to accomplish by putting its cash to work energetically, there is little reason to doubt that had Ward followed the same pattern, it could have reached much higher peaks of sales and earnings, especially during the post-war period. For example, from 1947 to 1954 (fiscal years for both companies close at the end of January) Sears' sales almost doubled but Ward's remained static. Furthermore, Sears had made more consistent progress with respect to net income which in the past completed year was some 17% higher than 1947, whereas Ward's earnings have been erratic and in fact dropped some \$33 million from the post-war peak of \$74 million in 1951 to last year's \$41 million.

When all this is said and done, however, it is only fair to state that despite the failure of post-war sales to register impressive gains and the variability in earnings, Ward stockholders have not had too much to complain about. To be sure earnings have fluctuated widely from \$6.12 a share to \$11.19 a share, but the payment of a stolid \$3 a share in dividends for most of the period has easily been within the capabilities of the company. In 1953, the dividend was upped 50 cents a share and this year an extra of \$1.50 a share has been paid, in addition to the usual 50-cent quarterly.

One of the main reasons why Avery has not been dislodged from his chairmanship undoubtedly is the fact that large numbers of ordinary stockholders in the company are satisfied with their dividends. They like the regularity of payments and are not too much concerned about weighty questions of corporate policy. Some of the larger holders have not been so pleased, however, (Please turn to page 772)



Inside Washington

—THE "DIXON-YATES" AFFAIR—

By "VERITAS"

CALIFORNIA republicans say they are at a loss to understand the almost frantic concern in their national committee over the senatorial election which pits Senator Thomas B. Kuchel, r, against Rep. Samuel B. Yorty, d. Kuchel is an appointive senator

WASHINGTON SEES:

A real battle impends on the whether or not of universal military training and the next congress will find that the issue which was set aside this year with almost no resistance has arisen with new strength and with substantially more backing than in the past.

It is hard to find in currently expressed thinking and congressional performance the ingredients of success for UMT. But the big-domed building overlooking Pennsylvania Avenue has become a "house of upsets" (witness the St. Lawrence Waterway, the flexible farm support bill, and others), and anything can happen.

The American Legion, convening here last month, put UMT high on its program. While it is true that the Legion is a resolving organization which covers more ground than most other groups, its impress upon things military sometimes is felt. And the Legionnaires, as men and women who have worn the military uniform, probably speak the view of many non-members.

But against this is the simple fact that universal military training is almost an accomplished fact without new legislation. The Selective Service Act is taking care of that. Few young men of draft age and even reasonably passable physical condition today can count on reaching their mid-20's without joining up or being "invited" to do so. And defense technics today are not built around mass troop movements but contemplate sudden death to the aggressor by air power—effectiveness of which always must be measured by the number of land and sea-based air concentrations. There is nothing in Pentagon budgets to support the suggestion that the military high command looks with favor on UMT.

who came to Washington to fill out the term of Richard Nixon, after the national election. Forces backing Nixon and those of Majority Leader William R. Knowland contested for state control in California last month and party discipline fell apart when Knowland's group won. Kuchel will lose the values of a united party, it is said. Also Kuchel's vote for the anti-communist bills was against the advice of elder republican statesmen. And it happened that his one vote was needed to bring republican victory. He denied Nixon's personal plea.

INTERESTING results flow from the West Coast state's balloting in November. Kuchel's success would boost Knowland's stock nationally, and he needs it right now. There is talk of replacing him as Majority Leader. Senator Homer Ferguson of Michigan (if he is re-elected, which seems certain) is slated. A resounding victory for Kuchel would pit Knowland against Nixon as California's favorite son candidate for the Presidency, if Ike decides not to run. That could be crucial, political historians say with a reference to California's vote for Woodrow Wilson, which decided the election in 1912—when republican leaders fell out. That time it was Candidate Charles Hughes and Senator Hiram Johnson.

BACKFIRE of reflections on Ike's integrity made by Stephen Mitchell, democratic national committee chairman, will not come as exoneration of one under serious attack (because it would be difficult to find even a political partisan who doubts the President's complete honesty) and for that reason it will lack the element of the dramatic. That, the democrats say, is all to the good because they believe exploration of the Dixon-Yates contract to replenish TVA power delivered to the Atomic Energy Commission will show very bad GOP management. Supporting the demmies will be the recorded opposition votes of three of the five AEC commissioners who thought it bad because TVA could do it for \$3.8 million less annually if permitted to expand existing plant, create steam power.

ORGANIZED LABOR is planning to get into the election campaign in a big way. It has its knives out for unsympathetic candidates.

As We Go To Press

Administration attitude on the tariff question, which has been obscured by lack of discussion and relative absence of large issues requiring a positive stand by the President, is taking form. The Swiss watch matter, followed by the lead and zinc problem, presented situations with some similarities but still with differences which could explain seemingly contrary rulings. The net result is to establish an attitude favoring elasticity. That in itself is helpful. It helps fill the void left by the failure of the commission on world trade to come up with something tangible -- a disappointment that grew out of conflict in trade ideologies that couldn't be resolved without a turbulence which was unwise to invite.

Ike was confronted by the necessity of choosing between two approaches (neither highly desirable) in the lead and zinc matter. He elected not to increase the tariff, chose a mild form of subsidy instead. In so doing he rejected a recommendation by the U.S. Tariff Commission, a fact that gave rise in some circles to complaint that he was "going over the head" of the commission. That overlooks the historic role of the commission, which is one of advice, not determination. When the President took the advice of his aides and rejected tariff as a weapon to protect the domestic lead and zinc industries, he broke away from the pattern he followed in the Swiss watch matter. As a matter of fact the watch decision was followed by such an uproar from the world traders and others that extreme caution marked the later action.

In the language of the lead and zinc order may be found one of the major keys to future decisions: the President would not approve higher duties, he said, "at the expense of serious adverse consequences that would follow for our international relations." No tariff question ever is completely divorced from political and regional pressures. The lead and zinc people had made out as good a case as the watch industry had. A way out had to be found. So the Administration took itself off the hook, with propriety, by deciding to throw an additional \$125 millions into the stockpiling program at home, adding to the amount which will be spent for the same purposes overseas. Until the full amount of overseas spending is disclosed it won't be possible to weigh the political motivation, in an election year. But it must be borne in mind that not only the 15,000 persons employed figure in the equation, but also keeping essential national security operations going is a "must."

Thus are presented two precedents for future actions within the period of pendency of a more firm tariff policy. The inflow of requests for protection of American business and industry via higher customs duty had been expected to be strong following the watch decision. With the lead and zinc holding, impetus will be given to a different body of petition. It will make for good summertime discussion but it hardly supplies a guide for the dormant international trade study commission. It will be contended that stockpiling in lieu of tariff protection, if feasible in these situations, will be the more desirable with respect to other items. Lead and zinc come largely from Canada and Mexico and do not seem to present insuperable walls in the event an emergency should arise. However, the United States encouraged wartime production in off-continent countries, and to build a tariff barrier now would cause repercussions.

While there are as yet no surface signs, it is certain that the economists in the employ of John L. Lewis' union have carefully examined the text and surrounding documents and are sure to suggest stockpiling another item: coal. At first blush this may seem as opportunism on the part of the miners; they've been crying for years against the strangling competition of imported and domestic fuels which drive down their tonnage. But the government might not be quick to turn thumbs down. National security has been threatened on occasions by stern notice from Lewis that "miners

do not work without a contract." And those warnings usually are timed to coincide with reduced supplies in the bins.

Regardless of the motive, Adlai Stevenson's letter to Premier Mendes-France gave the bi-partisan foreign policy idea a needed shot in the arm. It was the first major break in that direction in many months; in fact it followed a long period of petulant protest by democrats on Capitol Hill that their role had been cut to the privilege of voting "yes" on decided questions, that they no longer had a hand in formulating policy. (It happens that the democratic position can be documented.) Stevenson very likely was under pressure to remain silent, to refrain from throwing a rope to Dulles and his department. As titular head of his party he counted the democrats in on a world situation which is truly a mess. And it is notable that such praise as came to him for his action was bestowed by republicans, not democrats.

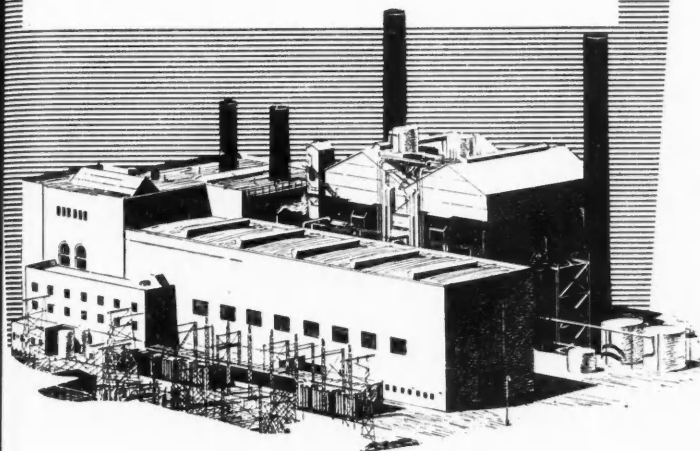
Stevenson and Mendes-France became acquainted during Adlai's world tour. He unfolded to the American visitor his insistent plan for stabilizing France by checking inflation, confided he'd probably run into difficulty. That was putting it mildly. Assurances from the Administration were of prime importance, naturally; but word from what is regarded in Paris as "the loyal opposition" should end any doubt that the European Defense Community is not regarded here as a partisan effort, subject to overthrow should the democrats return to power in 1956.

Few strikes in the history of labor relations suffered more from lack of public acceptance than did the work layoff of American Airlines pilots. By nature and training, a pilot has a cocksureness not found so uniformly in other occupations, but public opinion whipped an adamant group of fliers in this instance into referring their issues to an arbitrator, getting back on the job. The net result to date is loss of pay for 23 days (non-flying personnel eventually shared the work loss) and a suit for \$1.25 million against the pilots association. The company naturally lost revenue. Try as they did, the plane jockeys couldn't convince the general public that their objective was not to promote featherbedding. Getting the dispute referred to an impartial umpire, with power only to advise, was one of the easier jobs of the National Mediation Board.

Just as it was Senator Pat McCarran, its author, who was first to break down the too-sweeping provisions of his immigration law, it is a safe forecast that authors of the anti-communist legislation which edged through in the final days of the session, will be the first to explode it. They'll have plenty of support. The central portions of the bill were drafts by Senators Hubert Humphrey, democrat, and Wayne Morse, independent. They are active in American for Democratic Action; Morse is a vice president. And ADA fought the bill to the last ditch, now is concentrating effort on its repeal, or at least amendment. Humphrey and Morse plainly were cornering the republicans, making them eat the charge of "party of treason" aimed at the democrats. So they made the GOP members stand up and be counted on a measure whose title, and casual reading, make it deceptively attractive to patriotic Americans. But when the sponsors yield to ADA, as they will, they'll find Ike backing revision too. He doesn't like the bill either. On other grounds, of course.

The Texas political situation is supplying food for thought. The renomination of Gov. Shivers in a runoff primary has interesting elements. Shivers led Texas into the Eisenhower column after he had been chosen Chief Executive of his state on the democratic ticket. Seeking a second-term he came up against the charge of party irregularity, was given a scare in the first primary but came through handily in the runoff against No. 2 man -- a democratic party regular. It was not suggested that he received any republican support (there is little of that in Texas anyway) and Shivers put it plainly up to the voters to decide whether one cannot be a democrat statewide, and play the field nationally. The answer seems to be that the south has reasserted its traditional democracy in state and local matters. If that be a correct interpretation it looks bad for GOP candidates in the November election but very good for republicans in 1956. Especially if Ike heads the ticket.

1954's STOCK LAGGARDS



By OUR STAFF

*B*etween January and August this year, the market staged one of the greatest advances in history and individual stocks scored impressive gains. Despite the fundamental impulse toward higher prices in which large sections of the market shared, a number of stocks proved disappointing to their holders. In some cases, this was due to poor earnings or unfavorable dividend action so that negative market action necessarily ensued. Stocks with this kind of a background could not be expected to participate in the bull market. With investors more and more discriminating in their purchases in a market that has become more and more selective, the less attractive issues were bound to be ignored.

On the other hand, a number of issues fell into the category of "laggards" not because their earnings were unfavorable or dividend-paying powers impaired but because there was nothing sufficiently exciting in their prospects to encourage widespread buying. These issues have occupied a more or less neutral market position; with quite a moderate range, often maintained in the face of periodically strong stock markets.

The laggard group deserves special attention because a number of them offer sound values at present prices. In some case, appreciation prospects over the long pull are substantial. In order to acquaint our readers with the possibilities in this group, we have selected 9 of the more interesting laggards

for analysis, pointing out essential features relating to each and offering our estimate as to their future prospects.

AIR REDUCTION CO. This stock, which sold as high as 59¾ in 1946, has failed to participate in any of the major upward moves of the market since that time. In recent years, it has hovered around the middle 20's but recently has been showing some signs of life, advancing modestly to around the 27-28 level. The comparatively low price of the stock has been due to an unimpressive earnings record at a time when other chemical companies were forging ahead. Yet, this is only part of the story. Like an iceberg, the really important part is the part of the story which has not emerged as yet. That has to do with the fact that the company only in the last few years has made a genuine effort to modernize itself. The results of this transformation are about to be witnessed. Mainly, the recent efforts of the management have been to concentrate on building up facilities for acetylene production; and, it is expected, output in 1955 will be twice that of 1950 when the program was initiated, and it may be double again within another five years. This places the company in a position to finally reap the benefits of its long-range expansion program which, since 1950, has cost the company some \$75 million, including the sums needed for research. Aside from the basic acetylene business, the company is now forging ahead in chemicals, the percentage of which to total sales has been increasing. Contributing to lower earnings in 1953 were expenses in opening new plants and the increase of approximately \$1.2 million in accelerated amortization charges,

above normal depreciation. However, with the building program near completion, earnings should increase. It is interesting to note the acquisition of about 250,000 shares of Air Reduction stock by southern Natural Gas Co. for investment. The next few years should show considerable improvement in the affairs of Air Reduction. The stock yields 5.2% at its current price of around 27, on an annual dividend of \$1.40 a share.

CORN PRODUCTS REFINING CO. This is one of the few solid food stock investments which has not made much of a stir marketwise, as far back as the end of World War II. During that period, it has ranged about 20 points from high to low, which is comparatively narrow. Back of the sluggish action of the stock has been the failure of the company to expand earlier in newer products. While it has definitely held its own in the older products, Karo, Argo, Mazola and the rest, it has only comparatively recently placed emphasis on new product development. This is primarily taking the form of developing "zein", a byproduct of corn refining essential to the manufacture of the synthetic fibre Vicara. The company has also made preparations for the production of methyl glucoside, but this is still in its initial stages. These new chemical developments possess considerable importance with respect to the long-range future and with the new type of diversi-

fication in progress, there is no reason why the company cannot expand considerably in future years. So far as present prospects are concerned, the lower corn crop in sight and the somewhat higher prices which the company must pay for its basic raw material would seem to militate against any increase in this year's earnings. Last year, it earned \$5.42 a share and the president estimates a maximum of \$4.75 a share for 1954. While the immediate situation is not particularly conducive to an early uplift in the price of the shares, the new product program has significance from a long-range standpoint. At current prices of around 78, on an annual dividend of \$3.60 a share, the stock yields only 4.6%. Accordingly, it would be suitable to those for investors who are interested in long-range prospects rather than to investors requiring a large current return.

FEDERATED DEPARTMENT STORES, INC. In view of its expansionist record in recent years, this company may be considered one of the few dynamic units among the group of major merchandisers. While the stock has moved up moderately from the low point of last year, it has substantially failed to reflect the possibilities inherent in the opening up of new branches in the new suburban areas of New York and, more particularly, in the expansion in important cities of the Southwest. Federated has placed itself in a very favorable position with reference to these new locations, affording it a strong sales base. Along with these developments, the management has been energetic in improving the structure of the capitalization, the recent redemption of the almost \$10 million in 4½% preferred stock giving evidence of this purpose. Earnings have been stable since 1950 but are now increasing again. It is estimated that the company in 1954 will better the \$3.74 a share earned in 1953. At current prices of around 45, the yield is 5.5% on the annual dividend of \$2.50 a share. The stock may be classed as a good businessman's type of investment with gradual growth potentialities.

FOOD MACHINERY & CHEMICAL. After making a price peak at 56 early in 1952, this stock has ranged roughly in the 45-55 area during the past 2½ years. In 1954, its upward movement reached as high as 48 but has since backed away to the 45-43 level. Since organization in 1928, Food Machinery, by constantly acquiring numerous agricultural and industrial equipment companies, has been in a steady long-term growth trend. This progress has been accompanied by sound principles of management,

research engineering development and diversification of products. In recent years FMC has obtained a strong foothold in the chemical field. During this period the company has had to contend with heavy costs in connection with installing new chemical facilities. Sales increased from \$10.3 million in 1940 to \$229.0 million in 1953, and last year chemical sales were more than 41% of total volume. During the past 4 years, earnings have averaged better than \$3.60 per share. Reported first 6 months net in 1954 increased to \$2.10 per share compared with \$2.01 in the first half of 1953, indicating full year projected earnings of around \$4.00 or better. Future growth is expected from the company's planned development of equipment and chemicals. With emphasis on expansion in chemicals together with stability of equipment business, current earning power of \$4.00 per share, plus the \$2.00 dividend yielding over 4¼%, should justify higher market prices for Food Machinery & Chemical in the future.

GLIDDEN CO. Only comparatively recently has Glidden stock moved out of the laggard group, so that it does not properly belong in this class any longer. However, it is included in the list of 9 under analysis as, despite its recent moderate advance, it is still far behind its long-range potentials market-wise. The company has now embarked on a \$20 million expansion program, the outcome of which will make it a major producer of titanium oxide, as well as placing it among the leaders in the production of titanium metal. Eventually, the company expects to develop its titanium metal production on an even broader scale than that envisaged through current plans. While nothing definite can be stated as to the actual effect of these developments on earnings, it is indisputable that titanium, as one of the most important of the new metals, will play a much greater role. So far as its basic products are concerned, food divisions which contribute nearly 50% in sales, are well entrenched. Other divisions, paints and vegetables, which account for 25% of sales, report that volume is holding up, on the whole, though some minor declines are in evidence. There have been declines in export business but these are in consequential. Earnings have been ranging at slightly over \$3 a share in 1952 and 1953 but this year may be slightly less, as based on the minor drop which took place in the six months ended April 30. Future possibilities for Glidden probably rest heavily on the contributions which the new titanium production can make to the earning power of the company. Since it will obviously (Please turn to page 772)

9 Market Laggards

	1952		1953		1st Half 1954		Price Range 1953-54	Recent Price	Indicated Yield
	Earnings Per Share	Div. Per Share	Earnings Per Share	Div. Per Share	Earnings Per Share	Indicated Div.-Full Year			
Air Reduction	\$ 2.25	\$ 1.40	\$ 2.06	\$ 1.40	\$.97	\$ 1.40	29½-22¼	27	5.2%
Corn Products	4.61	3.60	5.42	3.60	2.48	3.85	82 -71¼	78	4.6
Federated Department Stores	3.62	2.50	3.74	2.50	1.52	2.50	48¾-35¼	45	5.5
Food Mach. & Chemical	3.41	2.00	3.67	2.00	2.10	2.00	48 -33¼	42	4.7
Glidden Co.	3.04	2.25	3.10	2.00	1.86 ¹	2.00	40½-27½	36	5.5
Jones & Laughlin	2.91	1.80	4.77	1.95	1.22 ²	2.00	27½-19	24	8.3
Nopco Chemical	1.67	1.20	1.88	1.35	1.27	1.35	24½-16	23	5.8
Pfizer (Chas.) & Co.	2.17	1.15	2.74	1.25	1.42	1.25	38 -25	34	3.7
Wheeling Steel	6.44	3.00	7.49	3.00	2.45	3.00	44¾-30½	41	7.3

¹—9 months ended July 31.

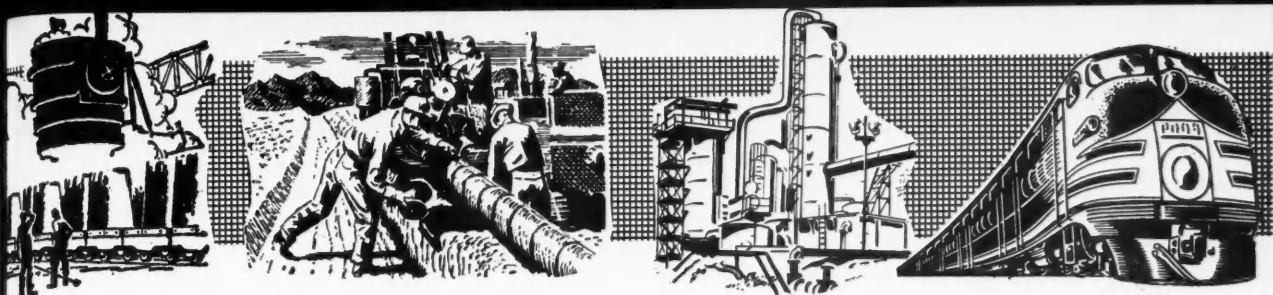
²—On basis of accounting practice followed in 1953.

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REET



1954 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for Aircraft—Oil—Paper—Transportation

Part 6

During the past half year, investors have been confronted with the seeming paradox of rising stock market values and, to say the least, extreme variations in corporate earnings. Upon closer examination, the paradox does not seem so much of a paradox, after all, as the market advance, in the main, has been confined to stocks of individual companies with the most impressive showing in earnings and those which give the greatest prospect of continuing this performance.

Under current changing conditions in industry, the market has become more selective than ever as those companies which show the greatest effect of rising competition and mixed general economic conditions commence to reflect this trend in falling earnings, in contrast to companies which have been able to make a favorable showing notwithstanding. It is, therefore, not surprising that in a situation which reflects the ebbing of the abnormal prosperity of the years 1950-53, investors should adopt a much more discriminating attitude towards securities.

It goes without saying that investors must pay increasing attention to changes in the affairs of their companies, especially where they may signify that dividend maintenance is less secure than formerly. By the same token, profitable opportunities for income and appreciation may await investors who are closely in touch with the affairs of companies in a favorable position. Obviously, in a mixed situation such as the present, investors who obtain the maximum information available are in the best position to protect and advance their interests.

In order to assist our subscribers to take the fullest advantage of our sources of information and our interpretation of these facts, we inaugurated our traditional Mid-year Dividend Forecast in July. This has appeared in six successive issues and has covered in detail 25 of the major industries. Current and prospective trends in each industry are described in detail, to-

gether with an analysis of the basic factors influencing these trends. In addition, we present a tabulation containing the most important data required by the investor on each of the leading companies in each industry in order that he may conveniently acquaint himself with their background. These compilations are also useful to investors desiring to make comparisons between the various companies of the respective industries.

Each company is briefly commented on, giving the highlights of their position and outlook. Following these comments is an investment rating of each security. The key to these ratings is as follows: A, High-Grade; B, Good; C, Fair and D, Poor. The ratings are based entirely on investment values according to the fundamental outlook for each company and as reflected by its record over a period of years in varying business conditions.

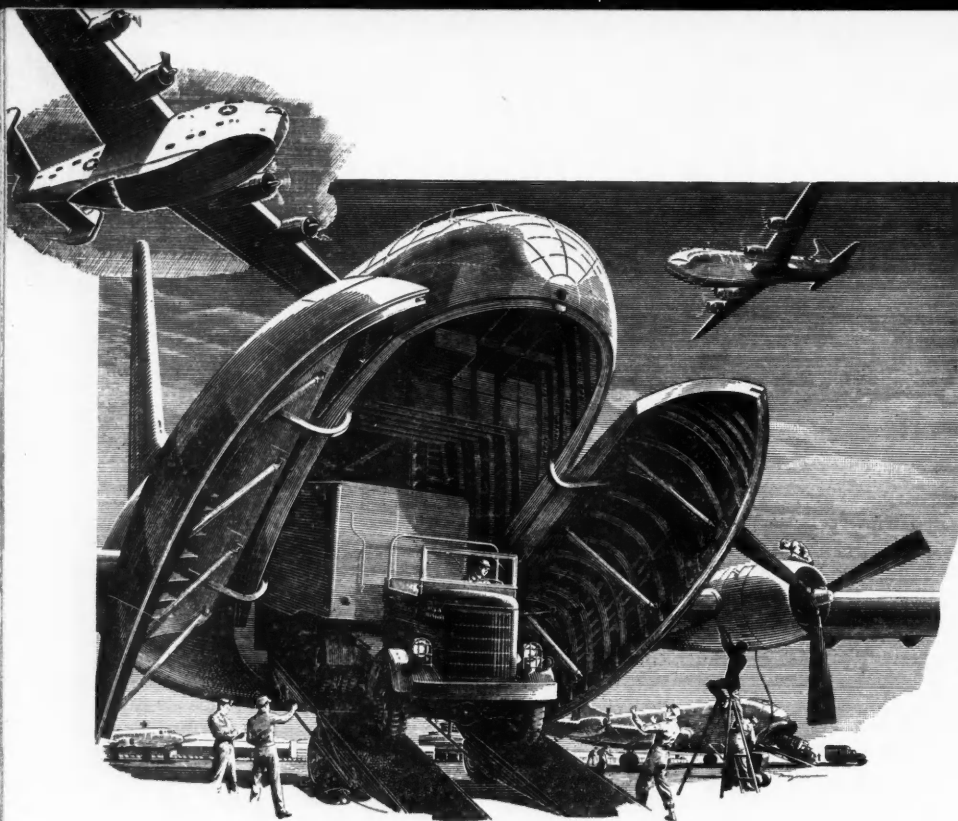
Current earnings trends are indicated by numerals attached to the lettered investment rating. Thus, B¹ indicates stock of good quality with rising earnings trend; C² indicates stock of fair quality with lower earnings trend. In special cases, we have marked certain stocks with an (*) indicating a preference.

We have made every effort to make this feature as practical as possible and trust that our subscribers will derive the greatest benefit from the information we have presented. To ensure this end we suggest that readers retain the table for future reference.

Both comments and ratings are necessarily based on current conditions affecting the individual companies and as they are likely to develop in coming months. New and, possibly unexpected, developments on the specific companies will be covered in future issues and it is advisable that subscribers keep closely in touch in order to acquaint themselves with any revisions that might be required.

Mid-Year Re-Appraisal Of Industries and Stocks

This is the sixth and final installment of our Mid-Year Dividend Forecast. In this series, we have presented a balanced picture of conditions in 25 important industries, including special groups. 470 stocks were rated. This, we believe, represents one of the largest undertakings on record in the field of financial publication. We trust the series will be retained by our subscribers for future reference.



KEY to STRENGTH in AIRCRAFTS

By JOHN D. C. WELDON

Man's distrust of man, evidenced by widespread military preparations, accounts for the high rate of productivity characterizing the aircraft manufacturing industry. Strangely enough, although re-establishment of world peace as it was known a couple of generations ago, could bring to a halt vast armament programs, there is no indication of such a development in the foreseeable future. On the other hand, millions and millions of dollars are destined to be spent on research in new types of aircraft, flying missiles, rockets, etc., in a gigantic effort to discover more effective means of combating a potential enemy. In the environment to which the world has become accustomed it is difficult to envisage an economy which does not embrace huge defense projects.

Civilian Transport Prospects

While the aircraft industry is largely dependent on military orders, it would be unfair, of course, to minimize the longer-term growth prospects for civilian air transportation. Moreover, remarkable progress apparently still lies ahead in stratospheric activities. At least, development of guided missiles and numerous types of rocket ships seems certain

to occupy the attention of the industry's engineering experts for a long time to come. Inasmuch as both major political parties have indicated a determination to support a large Air Force in the name of defense, any study of aircraft securities would seem of necessity safe in assuming that Washington authorities would strive to keep the industry in a strong position.

Higher Valuation on Earnings?

Hence, in spite of the fact that representative manufacturers have enlarged facilities to an enormous extent, it would seem incredible to think that the military authorities would act to endanger any companies engaged in supplying the armed services. Under the circumstances, investors may be justified

in placing higher appraisals on earning power of leading concerns in the industry on the theory that their operations are likely to prove more stable than some observers had assumed on the basis of World War II experience.

This factor is likely to prove the key to a realistic analysis of stocks in this industry. There seems little question, for example, but that total military expenditures are destined to decline in the next couple or three years. Hostilities have ceased—not only in scattered parts of the world, but even in areas where war had come to be regarded as chronic. Need for fighting equipment is waning. Even allowing for enlargement of our Air Force and for training more and more personnel, the Joint Chiefs of Staff seemingly have concluded that retrenchment can be safely pursued. Declines in new orders and in production on old schedules are anticipated though this may not take effect until 1956.

In considering the outlook for prices of popular aircraft manufacturers' shares, therefore, the investor must make allowance for an environment in which sales and probably earnings may be off a bit. The question then arises as to whether higher appraisal of earnings could be justified as an offsetting influence. Many stocks have been selling recently

on ratios of 4 to 6 times indicated share earnings. Would one be safe in raising his sights to 8 to 10 times annual earnings? On that question hinges market prospects.

All indications point to remarkable improvement in earning statements for 1954 for leading manufacturers. Shipments generally have increased and profit margins have widened slightly. With the benefit of relief from excess profits taxes, net available for stockholders has forged ahead sharply. Conservative analysts who had felt that renegotiation handicaps might be tightened following lapse of EPT now realize that government agencies may not tighten the pressure too severely in view of the fact that profits on sales still remain much lower on the average than for manufacturers in other lines.

Profit Margins Sustained

Thus the ratio of net income to sales of typical manufacturers in the aircraft industry has held slightly less than 2½ per cent in recent years and may not rise above 3 per cent on the average this year even with the benefit of a lower tax rate. This figure is low in relation to general manufacturing lines and probably is not too far out of focus under the microscope of re-negotiators. Under the circum-

stances, it would seem that earning power is not especially vulnerable.

Perhaps the best way to gain a useful perspective of the aircraft industry's prospects—over the longer term as well as for coming months—is to review military procurement plans so far as they have been announced and to examine production results. To begin with, it should be recalled that after World War II the decision was reached in Washington to cut back aircraft output to a minimum. Hence, at the outbreak of Korean hostilities the armed forces of this country found themselves sorely handicapped and government authorities decided the emergency called for a complete reversal of curtailment. All-out production became the order of the day.

In this environment major manufacturers were called upon to boost output and to develop new planes capable of gaining superiority over Russian-made fighting craft employed by the Chinese Reds. Thus it was that the aircraft program doubled and trebled until at the time of the Korean truce we had decided to enlarge our Air Force eventually to 137 operational wings and domestic output had approached an annual rate of 1,000 units a month.

Expenditures on aircraft rose steadily as productive facilities expanded. The backlog of unfilled orders at the beginning of 1954, approximated \$16.-

Statistical Data on Leading Aircraft Companies

	1st 6 Months				Full Year						Price Range 1953-54	Recent Price	Div. Yield
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Div. per Share Indicated				
	1953 —(Millions)—	1954	1953	1954	1953	1954	1952	1953	1953	1954			
BEECH AIRCRAFT	\$ 74.8 ¹	\$ 60.3 ¹	1.4% ¹	3.9% ¹	\$ 1.73	\$ 3.93	\$ 2.82	(d)\$3.87	\$.75	\$ 1.25	21¾- 9	18	6.9%
W.C. (mil.) '52—\$5.5													
W.C. (mil.) '53—\$2.2													
BELL AIRCRAFT	74.4	93.2	2.5	4.5	2.14	2.65	3.46	3.82	2.00	2.00	48 -17¾	42	4.7
W.C. (mil.) '52—\$ 9.7													
W.C. (mil.) '53—\$10.4													
BOEING AIRPLANE	418.9	496.8	2.1	3.4	2.83	5.34	4.34	6.26	1.75	2.37	69¼-18¼	58	4.0
W.C. (mil.) '52—\$49.9													
W.C. (mil.) '53—\$59.6													
CESSNA AIRCRAFT	21.3 ⁸	20.5 ⁸	2.4 ⁸	4.0 ⁸	.70 ⁸	1.14 ⁸	1.59	1.54	.50	.50	15 - 6½	12	4.1
W.C. (mil.) '52—\$3.9													
W.C. (mil.) '53—\$4.1													
CURTISS-WRIGHT	205.4	234.5	2.7	3.2	6.01	7.94	.68	.95	.60	.80	137½- 6½	13	6.1
W.C. (mil.) '52—\$83.0													
W.C. (mil.) '53—\$91.2													
DOUGLAS AIRCRAFT	458.7	493.8	2.2	3.8	4.18	7.83	4.50	7.73	3.25	5.75	92½-30	81	7.1
W.C. (mil.) '52—\$49.2													
W.C. (mil.) '53—\$56.5													
FAIRCHILD CAM. & IN.	11.7	n.a.	2.6	n.a.	.63	1.65	1.66	1.93	.25 ²	.50	33¾-15½	36	1.3
W.C. (mil.) '52—\$2.9													
W.C. (mil.) '53—\$2.9													
FAIRCHILD ENG. & AIR.	84.1	70.8	2.5	2.6	.91	.96	1.36	1.74	.80	.90	18¼- 6¾	15	6.0
W.C. (mil.) '52—\$14.2													
W.C. (mil.) '53—\$14.5													
GENERAL DYNAMICS ...	296.8	291.8	2.2	2.9	3.29	4.24	5.72	7.01	3.00	3.37½	75½-31	67	5.0
W.C. (mil.) '52—\$22.1													
W.C. (mil.) '53—\$24.4													

(d)—Deficit.

n.a.—Not available.

1—9 months ended June 30.

2—Plus stock.

3—Paid thus far in 1954.

4—Plus 1 share of Chance Vought Aircraft for each 3 shares held.

5—Year ended June 30.

6—9 months ended April 30.

7—Quarter ended July 31.

8—6 months ended March 31.

(Please turn to page 749)

500 million, most of which represented orders for the military. Congressional appropriations still unused by the Air Force and the Navy at the end of June are estimated to have approximated \$4,000 million. In addition, the Air Force and the Navy have recommended commitments for the fiscal year beginning July 1 amounting to about \$4,700 million. These figures suggest that for the twelve months just begun government agencies will have available something more than \$8,700 million which may be earmarked for planes and aircraft equipment. Thus it would seem that the industry may move into the coming calendar year with a backlog approaching the high total it had at the beginning of 1954.

Position of Subcontractors

The feverish expansion of the early 1950's slackened as it became evident that the Korean affair probably would not spread to Europe. Production schedules were stretched out with the result that the 137-wing goal now has been set for mid-1957. Accordingly, production can be carried out more leisurely and efficiently. This means that while major producers should have ample orders for some time to come, subcontractors may be pinched as volume is reduced.

Having reached a rate of about 1,000 planes a month last year, the nation's manufacturers are expected to deliver about 12,000 planes this year, approximating last year's shipments. Production appears to be slackening slightly at present and the decline is scheduled to become more noticeable in 1955 and 1956. Within another 35 months, when the objective of the Air Force has been attained, it is estimated that output may be curtailed to about 6,000 planes annually, or approximately half the current output. So far as can be determined now this production should prove adequate to maintain a force of 137 wings.

The military program called for building the Air Force up to a strength of 115 operational wings by the end of last June. The schedule calls for adding another five wings in the fiscal year ending next June and additional seven wings in the following fiscal year, or a total of 127 by mid-1956. In the succeeding year it is planned to bring the force up to peak of 137 wings, and this goal is considered readily attainable in 1957. The program is flexible enough to permit adjustments that may be necessitated by changed international conditions. As the objective is reached it is expected that all military craft will be of the latest design. Thereafter the Defense Department appears to have in view maintenance of a modern, efficient Air Force of 137 operational wings employing the latest, modern weapons.

Outlook for Commercial Planes

Commercial transport requirements are due to expand. Despite the fact that experience has indicated that the air lines need not depreciate their equipment as rapidly as had been done in recent years, indications point to gradual shift to faster and larger planes, especially for transcontinental flights. Public acceptance of air travel has made rapid strides in the last few years as safety measures have reduced fatal accidents and have contributed to greater dependability in maintenance of schedules.

Although shipments of commercial planes appear likely to be smaller this year than in 1953—and a mere trickle in comparison with military requirements—indications point to placement of larger orders for 1955, especially in the field of small, private business planes.

Production of specialties such as helicopters and guided missiles is expected to expand moderately, but here again the volume must be regarded as limited in scope so far as major producers are concerned. Military adaptations have demonstrated effectiveness of helicopters in certain areas. In addition, police needs account for a minor market for the craft. Development of short, feeder lines around and between metropolitan airports offers potentialities over a longer term, but such use may be slow in coming into being. Altogether, a fairly important volume of business is available in specialties which small, independent manufacturers will be able to share.

Summarizing the broad outlook, it may be estimated that shipments for calendar 1954 may range upward of \$8,000 million even though the units of military planes delivered may fall short of the 1953 total. Completions this year are likely to include a greater number of large and expensive planes than last year. Thus, it is possible that dollar volume for the industry may reach 1953 totals estimated at about \$8,500 million, which compared with \$6,500 million in 1952.

Assuming that deliveries in 1955 may be further curtailed in a gradual stretch-out of military procurement plans consistent with relaxation in international tensions, it is estimated that unit volume may drop back to 10,000 planes and dollar volume may fall to about \$7,500 million. Further reductions are in prospect for 1956. Hence, prime contractors may be expected to pull back into their own plants a greater share of work that had been placed with subcontractors.

What will be the effect of pressure for economies in military expenditures to cope with agitation for tax reduction is problematical. Military authorities may endeavor to gain concessions in pricing from major producers as new orders are placed. This possibility has been suggested in financial quarters at least by the prospect of extraordinary increases in earnings reported by manufacturers in recent months. Whether this factor poses a threat remains to be seen. In the meantime, however, rising depreciation charges seem likely to become more of a factor in earnings.

Recognition of the promising outlook for aircraft manufacturers has found reflection in a rapid rise in shares of major producers. The big companies have gained the greatest benefit of expanded output since they have been able to take advantage of widening profit margins and lower tax rates. Estimated earnings for 1954 show larger than average increases for leading manufacturers, and it would be only logical to expect shares of these companies to respond to prospects of higher dividends, accompanied by stock splits.

It may be well to comment on some of these individual companies to provide a background for considering whether precipitate advances have more than discounted indicated gains. Detailed statistics along with brief comments are provided in the accompanying tabulation for a variety of companies engaged in making aircraft equipment of some kind.

(Please turn to page 774)

Statistical Data on Leading Aircraft Companies (Continued)

	1st 6 Months				Full Year						Price Range 1953-54	Recent Price	Div. Yield
	Net Sales 1953	Net Sales 1954	Net Profit Margin 1953	Net Profit Margin 1954	Net Per Share 1953	Net Per Share 1954	Earned Per Share 1952	Earned Per Share 1953	Dividend Per Share Indicated 1954	Dividend Per Share 1953			
GRUMMAN AIR. ENG.	\$125.1	\$ 108.3	2.9	4.6	\$ 1.84	\$ 2.51	\$ 2.67	\$ 3.56	\$ 20.0	\$ 2.00	39½-19¾	33	6.0%
W.C. (mil.) '52—\$24.4													
W.C. (mil.) '53—\$27.6													
LOCKHEED AIRCRAFT	389.1	405.3	2.3	2.6	3.42	4.05	3.61	5.79	1.62½ ²	2.25 ²	44¼-20¼	40	5.6
W.C. (mil.) '52—\$33.1													
W.C. (mil.) '53—\$39.5													
MARTIN (GLENN L.)	70.9	97.2	6.3	7.0	2.11	3.07	3.03	7.06			32¼-12¾	27	
W.C. (mil.) '52—\$20.2													
W.C. (mil.) '53—\$15.3													
MCDONNELL AIRCRAFT	133.5 ⁵	123.0 ⁵	3.1 ⁵	3.0 ⁵	6.17 ⁵	5.03 ⁵	4.49	6.17	1.00	1.00	32 -16¼	27	3.7
W.C. (mil.) '52—\$7.8													
W.C. (mil.) '53—\$7.5													
NO. AMER. AVIATION	460.7 ¹	493.5 ¹	1.7 ¹	2.9 ¹	2.33 ¹	4.23 ¹	2.28	3.72	1.75	2.50	46¾-15¾	42	5.9
W.C. (mil.) '52—\$38.4													
W.C. (mil.) '53—\$45.5													
NORTHROP AIRCRAFT	138.2 ⁶	109.6 ⁶	1.7 ⁶	1.7 ⁶	3.42 ⁶	2.61 ⁶	3.48	4.75	1.00	1.55 ²	50¼-11¼	43	3.6
W.C. (mil.) '52—\$7.9													
W.C. (mil.) '53—\$8.6													
PIPER AIRCRAFT	9.2 ¹	8.1 ¹	2.6 ¹	2.6 ¹	.26 ¹	.22 ¹	.41	.42		.05 ³	4 - 1½	3	1.6
W.C. (mil.) '52—\$2.0													
W.C. (mil.) '53—\$2.4													
REPUBLIC AVIATION	188.3	166.9	2.0	2.7	3.07	3.77	6.65	6.83	1.50 ²	2.00	43¾-17¾	36	5.5
W.C. (mil.) '52—\$12.9													
W.C. (mil.) '53—\$19.5													
RYAN AERONAUTICAL	21.5	23.5	3.6	4.4	2.01	2.76	2.23	3.80	.50	.50	29 -12	26	1.9
W.C. (mil.) '52—\$3.8													
W.C. (mil.) '53—\$5.3													
SOLAR AIRCRAFT	16.6 ⁷	15.7 ⁷	2.5 ⁷	2.7 ⁷	.65 ⁷	.63 ⁷	4.24	3.04	1.15	1.35 ²	25¾-13¼	22	6.1
W.C. (mil.) '52—\$7.9													
W.C. (mil.) '53—\$8.5													
UNITED AIRCRAFT	409.2	351.4	3.0	3.7	3.66	3.91	5.18	6.23	2.75	3.25 ⁴	68¾-31¾	59	5.5
W.C. (mil.) '52—\$67.6													
W.C. (mil.) '53—\$79.8													

(d)—Deficit.

n.a.—Not available.

¹—9 months ended June 30.

²—Plus stock.

³—Paid thus far in 1954.

⁴—Plus 1 share of Chance Vought Aircraft for each 3 shares held.

⁵—Year ended June 30.

⁶—9 months ended April 30.

⁷—Quarter ended July 31.

⁸—6 months ended March 31.

Beech Aircraft: Leading manufacturer of trainer and light civilian planes. New Navy contract for trainer model expected to sustain recovery in earnings. Indicated \$1 dividend rate. C¹

Bell Aircraft: Growing acceptance of helicopters as essential military equipment and increasing emphasis on guided missiles expected to bolster orders. Uptrend in dividends possible. C¹

Boeing Airplane: As leading supplier of jet bombers, company has strong military position. Rise in unfilled orders to more than \$2,350 million points to higher earnings and dividends. A^{1*}

Cessna Aircraft: Prospects promising for subcontract work as well as in military liaison models and civilian planes. Margins show improvement. Earnings for year just ending seen favorable. C¹

Curtiss-Wright: Despite trend to jets, large volume of sales indicated for propellers and reciprocating engines. Further moderate improvement in earnings indicated. C¹

Douglas Aircraft: Leading producer of military as well as civilian planes and major factor in guided missiles. Volume of sales destined to expand. Further dividend increase indicated. A^{1*}

Fairchild Camera & Instrument: Although sales of military photographic equipment remain predominant, growth in civilian products seem assured. Increase in earnings indicated for 1954. C¹

Fairchild Engine & Airplane: Leading manufacturer of twin-engine military cargo and troop carriers. Operations diversified in guided missiles, under-water propulsion systems, etc. C¹

General Dynamics: Company possesses distinction of simultaneously being in two vital areas of defense work—atomic submarines and military aircraft. After merger with Consolidated Vultee, adding to representation in aircraft manufacture through Canadair, Ltd., company occupies highly important position. A^{1*}

Grumman Aircraft Engineering: Regarded as leading maker of Naval aircraft needs, company has fared well and has shown promising growth. Increase in shipments and higher earnings indicated. B¹

Lockheed Aircraft: Although model changes pointed to decline in 1954 shipments, wider profit margins held out hope of earnings gains. Meanwhile, acceptance of new models assures growth. B¹

Martin (Glenn L.): Strengthening of management reflected in sharp recovery in orders. Diversification in missiles looks promising. Continued progress in earnings seen. Dividend uncertain. C¹

McDonnell Aircraft: Progress in development of successful jet craft points to enlargement of volume for Navy. Wide profit margin indicated for modest \$1 annual dividend. C¹

North American Aviation: Leading supplier of Air Force and Navy equipment, company has demonstrated record of steady earnings. Diversification in guided missiles and atomic energy. B¹

Northrop Aircraft: Emphasis on jet fighters expected to assure good demand for output. Larger output indicated in missiles. Split indicates substantial improvement in dividend. B¹

Piper Aircraft: Threat of further cutback in subcontract activities poses problem. Record in civilian operations unpromising. Long-range outlook regarded as doubtful. D²

Republic Aviation: Need for continued emphasis on jet fighter craft in national defense program expected to provide steady demand for output. Backlog of \$950 million to keep plants active. B¹

Ryan Aeronautical: Leading supplier of components for airframes as well as for jet engines, company also manufactures variety of other products, such as exhaust systems for rocket motors. C¹

Solar Aircraft: Important manufacturer of engine exhaust manifolds and heat-resistant parts for jet engines. Net profit down in 1954 fiscal year, but order backlog up to \$63 million. C²

United Aircraft: Concentration on jet engines as well as other engines anticipated now that airframe business has been segregated. Good outlook in helicopters. Further dividend rise seen. B^{1*}

RATING: A—Best grade. B—Good grade. C—Fair. D—Poor. ¹—Sustained earnings trend. ²—Lower earnings trend. *—Most attractive of group.

tion permitting sounder and more profitable pricing policies.

Despite the heavy supply, crude prices have held firm. There was marked weakness in product prices, on the other hand, resulting in a squeeze on the profits of domestic oil refiners.

Results should look better in the current six month period. Prices should come back a bit and may be increased further. Also, comparisons with a year ago should seem especially good since the current period will be matched against one that was marked by declining demand and stiff competition.

The industry has had an amazing record of steady growth with year to year gains in consumption of refined oil products averaging about 5 per cent since 1940.

It was this record of consecutive growth which may have clouded the sights of executives in the industry despite an anticipated nationwide business recession, and led them to believe that oil product sales would increase 3 to 5 per cent.

They have since become adjusted to a more sober realization that demand this year will not increase so rapidly yet they are certain that the 2 per cent gain over 1953 which is now virtually assured is a sign of continued growth and stability for the industry.

The Bureau of Mines reports that total domestic demand for all oils for the first half of 1954 was 0.3 per cent under the similar period last year. Exports were 16 per cent lower during the period and domestic demand 0.6 per cent higher than in the first half of 1953.

At the end of June, product stocks were 42 mil-

lion barrels above a year earlier, but it is expected that the combination of smaller crude runs and sustained consumption will result in a much narrower product stock increase than last year.

Many oil economists are forecasting that by the end of 1954, the inventory situation will have been cleared completely. They see a smaller inventory than a year ago by Dec. 31 despite some increase in the rate of consumption.

Iranian Settlement

Resumption of the flow of oil from Iran is expected to cause much less dislocation than would have occurred if settlement had been made a year ago or earlier.

The agreement covering oil to be produced in Iran has been worked out so that as the supply is reintroduced, it will hardly make up for the growth of world wide demand. This will leave other mid-eastern producing countries with about the same level of sales as they now enjoy.

The five international companies joining the Iranian oil consortium will each have to pay a total of \$80 million for their 8 per cent interest in the new company. Since the contract calls for only \$12 million of this sum to be in cash with the rest made in oil payments at the rate of 10c per barrel of crude taken out of the ground. The five companies are Jersey Standard, Socony-Vacuum, Standard of California, Texas Co. and Gulf Oil.

A factor favoring international operations is that tanker rates for transportation of crude and of products have been pared (Please turn to page 775)

Statistical Data on Leading Oil Companies

	1st 6 Months						Full Year				Price Range 1953-54	Recent Price	Div. Yield	
	Net Sales		Net Profit Margin	Net Per Share	Earned Per Share		Dividend Per Share Indicated							
	1953 (Millions)	1954			1953	1954		1952	1953	1953				1954
AMERADA PETROLEUM W.C. (mil.) '52—\$26.6 W.C. (mil.) '53—\$29.8	\$ 42.0	\$ 41.7	18.9%	19.2%	\$ 2.52	\$ 2.55	\$ 5.04	\$ 5.85	\$ 3.00	\$ 3.00	197	-148½	175	1.7%
ATLANTIC REFINING W.C. (mil.) '52—\$52.7 W.C. (mil.) '53—\$36.7	304.6	297.9	7.4	6.6	2.45	2.14	4.37	5.41	2.00	2.00	36½-	25%	33	6.0
CITIES SERVICE CO. W.C. (mil.) '52—\$230.0 W.C. (mil.) '53—\$257.4	439.7	426.0	6.4	5.5	7.30	6.05	12.67	13.05	5.00	5.00	106¾-	70½	96	5.2
CONTINENTAL OIL W.C. (mil.) '52—\$61.2 W.C. (mil.) '53—\$68.2	229.1	249.1	8.7	8.7	2.05	2.24	3.91	4.20	2.60	2.60	73 -	48¾	67	3.8
GULF OIL W.C. (mil.) '52—\$366.7 W.C. (mil.) '53—\$424.6	798.2	836.3	9.4	9.3	3.21	3.18	6.01	7.13	2.00 ¹	2.00	60½-	41¼	55	3.6
HOUSTON OIL W.C. (mil.) '52—\$7.2 W.C. (mil.) '53—\$6.1	15.7	16.4	21.3	19.0	2.52	2.35	4.81	5.05	2.25	2.25	86 -	54	75	3.0
HUMBLE OIL & REF. W.C. (mil.) '52—\$116.4 W.C. (mil.) '53—\$126.5	495.9	497.9	16.0	15.0	2.22	2.09	4.05	4.58	2.28	2.28	74¾-	54	70	3.2

n.a.—Not available.
1—Plus stock.

²—Paid thus far in 1954; no dividend action August 5, 1954.
³—9 months ended March 31.

(Please turn to page 752)

Statistical Data on Leading Oil Companies (Continued)

	Net Sales		1st 6 months		Net Per Share		Earned Per Share		Dividend Per Share		Price Range 1953-54	Recent Price	Div. Yield
	1953 (Millions)	1954	1953	1954	1953	1954	1952	1953	1953	1954			
IMPERIAL OIL W.C. (mil.) '52—\$184.2 W.C. (mil.) '53—\$163.4	\$272.3	\$295.3	7.3%	8.8%	\$.67	\$.87	\$ 1.38	\$ 1.61	\$.80	\$.90	37 - 27½	35	2.5%
LION OIL W.C. (mil.) '52—\$26.2 W.C. (mil.) '53—\$25.7	47.0	50.8	11.1	11.9	1.70	1.96	3.30	3.46	2.00	2.00	41½- 28½	39	5.1
MID-CONTINENT PETE W.C. (mil.) '52—\$60.5 W.C. (mil.) '53—\$63.4	85.2	83.9	8.4	8.5	3.86	3.85	8.39	7.75	4.00	4.00	91½- 55½	88	4.5
OHIO OIL W.C. (mil.) '52—\$62.9 W.C. (mil.) '53—\$64.1	118.9	127.3	17.1	15.3	3.11	2.97	6.00	6.63	3.25	3.25	69 - 54½	62	5.2
PHILLIPS PETROLEUM W.C. (mil.) '52—\$105.2 W.C. (mil.) '53—\$151.4	370.2	392.0	9.2	9.6	2.34	2.59	5.17	5.25	2.60	2.60	69½- 48½	61	4.2
PLYMOUTH OIL W.C. (mil.) '52—\$14.6 W.C. (mil.) '53—\$19.1	48.7	n.a.	9.3	n.a.	1.89	1.39	3.97	3.32	1.60 ¹	1.60	34½- 23½	26	6.1
PURE OIL W.C. (mil.) '52—\$84.7 W.C. (mil.) '53—\$83.5	177.0	184.6	6.3	7.5	2.51	3.17	6.17	6.12	2.50	2.50	64¼- 42¼	59	4.2
RICHFIELD OIL W.C. (mil.) '52—\$65.1 W.C. (mil.) '53—\$62.0	99.4	102.2	13.0	12.1	3.25	3.10	6.41	7.13	3.50	3.50	65 - 43¾	54	6.4
SEABOARD OIL W.C. (mil.) '52—\$12.8 W.C. (mil.) '53—\$10.5	18.7	19.3	18.2	17.7	.94	.94	1.84	1.78	.83	.90	43½- 24	36	2.5
SHELL OIL W.C. (mil.) '52—\$205.8 W.C. (mil.) '53—\$191.6	605.3	655.6	8.3	9.6	1.88	2.31	3.38	4.20	1.50 ¹	1.87	51½- 31½	50	3.7
SINCLAIR OIL W.C. (mil.) '52—\$185.3 W.C. (mil.) '53—\$238.7	448.6	499.0	6.7	7.5	2.47	2.97	7.08	5.53	2.60	2.60	44½- 30½	43	6.0
SKELLY OIL W.C. (mil.) '52—\$35.5 W.C. (mil.) '53—\$42.4	105.4	104.6	13.0	13.5	2.39	2.47	4.88	5.44	1.62½	1.70	50½- 33¼	45	3.7
SOCONY-VACUUM W.C. (mil.) '52—\$463.0 W.C. (mil.) '53—\$477.7	792.9	n.a.	11.0	n.a.	2.52	2.52	4.89	5.35	2.25	2.25	46¼- 30	44	5.1
STAND. OIL OF CALIF. W.C. (mil.) '52—\$235.1 W.C. (mil.) '53—\$273.2	518.3	549.5	17.6	18.9	3.19	3.63	6.07	6.61	3.00	3.00	67½- 49¼	65	4.6
STAND. OIL OF IND. W.C. (mil.) '52—\$405.8 W.C. (mil.) '53—\$401.1	834.8	821.2	6.5	6.4	3.56	3.44	7.81	8.11	2.50	2.50	84 - 65¼	77	3.2
STAND. OIL OF N. J. W.C. (mil.) '52—\$1,294.4 W.C. (mil.) '53—\$1,339.0	1,997.0	n.a.	13.4	n.a.	4.42	4.84	8.58	9.13	4.50	4.50	98 - 67	90	5.0
STAND. OIL OF OHIO W.C. (mil.) '52—\$73.2 W.C. (mil.) '53—\$71.5	156.5	149.0	5.4	5.4	2.01	1.90	4.20	5.08	2.40	2.40	42½- 31	39	6.1

n.a.—Not available.
1—Plus stock.

2—Paid thus far in 1954; no dividend action August 5, 1954.
3—9 months ended March 31.

(Please turn to page 753)

Statistical Data on Leading Oil Companies (Continued)

Div. Yield		1st 6 months				Full Year				Dividend Per Share Indicated	Price Range 1953-54	Recent Price	Div. Yield
		Net Sales 1953 (Millions)	1954	Net Profit Margin 1953	1954	Net Per Share 1953	1954	Earned Per Share 1952	1953				
2.5%	SUN OIL W.C. (mil.) '52—\$88.1 W.C. (mil.) '53—\$78.0	\$322.1	\$328.3	6.7%	6.2%	\$ 3.03	\$ 2.64	\$ 5.56	\$ 5.85	\$ 1.00 ¹	\$ 1.00	82½- 68½	75 1.3%
5.1	SUNRAY OIL W.C. (mil.) '52—\$36.2 W.C. (mil.) '53—\$45.1	70.7	63.1	19.7	18.2	1.57	1.18	2.30	2.54	1.20	1.20	21¼- 15	19 6.3
4.5	TEXAS COMPANY W.C. (mil.) '52—\$464.1 W.C. (mil.) '53—\$484.7	757.2	n.a.	11.3	n.a.	3.13	3.55	6.59	7.01	3.40	3.40	75½- 49%	71 4.7
5.2	TIDEWATER ASSOC. W.C. (mil.) '52—\$85.0 W.C. (mil.) '53—\$98.2	231.1	229.2	7.5	7.9	1.37	1.35	2.43	2.89	1.15	1.25 ²	27¼- 18¼	20
4.2	UNION OIL OF CALIF. W.C. (mil.) '52—\$73.0 W.C. (mil.) '53—\$93.1	156.2	177.5	11.4	9.9	3.00	2.02	4.61	6.41	2.00 ¹	2.20	50½- 33¼	46 4.7
6.1	WARREN PETROLEUM W.C. (mil.) '52—\$8.7 W.C. (mil.) '53—\$9.2	90.7 ³	89.6 ³	8.3 ³	7.1 ³	4.47 ³	3.76 ³	4.80	6.02	1.60	1.60	40¾- 28¾	36 4.4

n.a.—Not available.

¹—Plus stock.

²—Paid thus far in 1954; no dividend action August 5, 1954.

³—9 months ended March 31.

Amerada Petroleum: Exploration record of this crude producer has been successful. Could get a better price for its North Dakota oil following completion of pipeline construction. A¹

Atlantic Refining: Marketing area is concentrated on East Coast. Capital expenditures are being concentrated on distribution facilities to improve competitive position. Offers good yield on secure dividend. B¹

Cities Service Co.: Pushing world-wide search for additional reserves. Dividends are conservative as considerable sums must be retained to pay for expansion and exploration program. Stock split possible on completion of holding company break-up program. B²

Continental Oil: Large reserves and undeveloped acreage and an accelerated expansion program give this company better than average profit prospects. Is active in joint chemical and oil ventures with others in the industry. B^{1*}

Gulf Oil: Large, integrated producer with a major stake in middle-eastern oil areas. Although one of the parties to the Iranian oil consortium, settlement will temporarily halt growth in neighboring areas. Conspicuous long-term possibilities. A^{1*}

Houston Oil & Ref.: Crude oil exerts an important influence on this giant subsidiary of Jersey Standard. Second half earnings may improve in line with increased allowable production in oil states. A¹

Imperial Oil: Canadian affiliate of Jersey Standard controlling a large part of that country's reserves. Growth should parallel that of Canadian economy. Dividend is amply protected. A^{1*}

Lion Oil: Petro chemicals are relatively important to this small integrated oil company. New \$31 million anhydrous ammonia plant just starting to produce will help earnings. Dividend payout is higher than average. C¹

Mid-Continent Petroleum: Serves the mid-west principally. Cash position strong permitting aggressive exploration. Dividend policy conservative with current rate well covered. Extension of present exploration would result in long term growth. B¹

Ohio Oil: Second quarter earnings were hit by price weakness in marketing areas. Current price gains should permit more profitable operations in second half. B¹

Phillips Petroleum: Has important gas reserves. Would be affected by changes in crude price structure also by FPC regulation of natural gas. Has growth from activities in chemical and petrochemicals. B^{1*}

Plymouth Oil: Formerly a crude producer, refining has been getting a greater share of attention in recent years. Earnings this year hit by (a) Texas oil allowable cuts, (b) reduced production prices and (c) higher charges for exploration. C²

Pure Oil: Profit comparisons are higher than a year ago when the company was adversely affected by fire. Active expansion expected to provide future growth but to absorb near-by profit increases. B¹

Richfield Oil: New refinery has added importantly to capacity and to sales potential through upgrading of products. Generous yield and good growth prospects indicate good appreciation possibility for the stock price. B¹

Seaboard Oil: Has stable profit results but steady, if slow, growth. Texas Co. owns about one-third of the company. Earnings should be somewhat more favorable as Texas gives permission to increase slightly the amount of crude taken out of the ground monthly. B¹

Shell Oil: TCP promotion gave premium gas of this company a strong boost. Higher profit anticipated for the year. Price high on the common shares, but dividend is secure and only a small fraction of total earnings. A^{1*}

Sinclair Oil: Shift in sales policies to emphasis on smaller, more profitable units of sales has lifted profit margins. Capital needs are dropping permitting some possibility of higher dividends. B¹

Skelly Oil: High exploration costs have held earnings back but resulted in better than industry gains in reserves. May be some cut-back this year in exploration due to lagging sales. Recently increased dividend well protected. B¹

Socony-Vacuum: Earnings of this large, international oil company may slip under last year and capital expenditures are well over 1953 but current dividend rate is secure. Yield still generous despite stock price gains. B¹

Standard Oil of California: Marketing concentrated on the west coast although an attempt is being made to penetrate the middle Atlantic states. Capital spending heavy with good growth of operations likely. No dividend hike anticipated soon. A¹

Standard of Indiana: Earnings under 1953 results due to competitive conditions. Expenditures heavy. New chemical plants starting to produce. One of the most attractive issues. B^{1*}

Standard Oil of N. J.: Largest producer in the world, profits have been holding up well so far this year. U. S. operations only 35 per cent of total. Stock offers good yield. Has been mentioned as candidate for split. A^{1*}

Standard Oil of Ohio: Profit margins have been slimmed because of need to purchase large supplies of crude. Company principally a refinery and marketer. Is adding to reserves. Improved refined product supply-demand situation should help earnings. B²

Sun Oil: This integrated company highly regarded for its marketing ability but competition on the East coast, its principal area of activity, has cut profit. Some savings expected from decision to buy low cost imported crude. A²

Sunray Oil: Turn around in earnings of this crude producer is expected during the current half year to help regain some of the profit decline in the first six months. Stock has leverage due to senior securities in capital structure. Common offers good yield. C¹

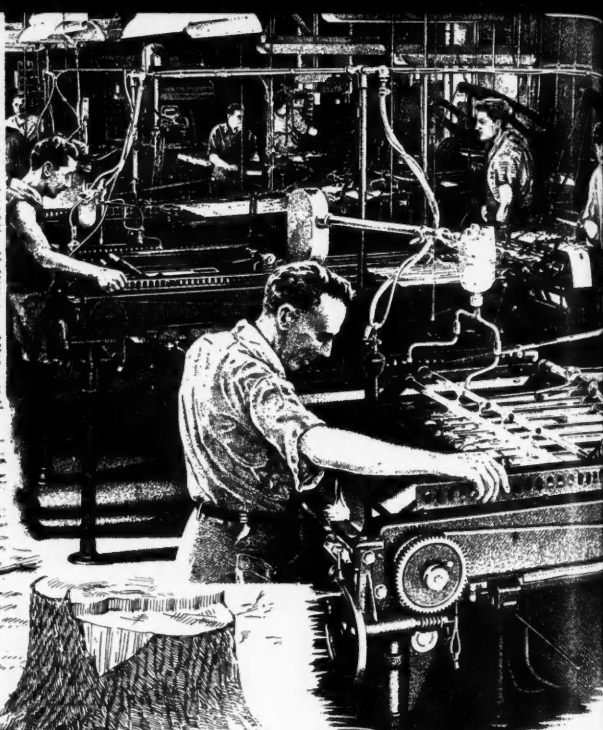
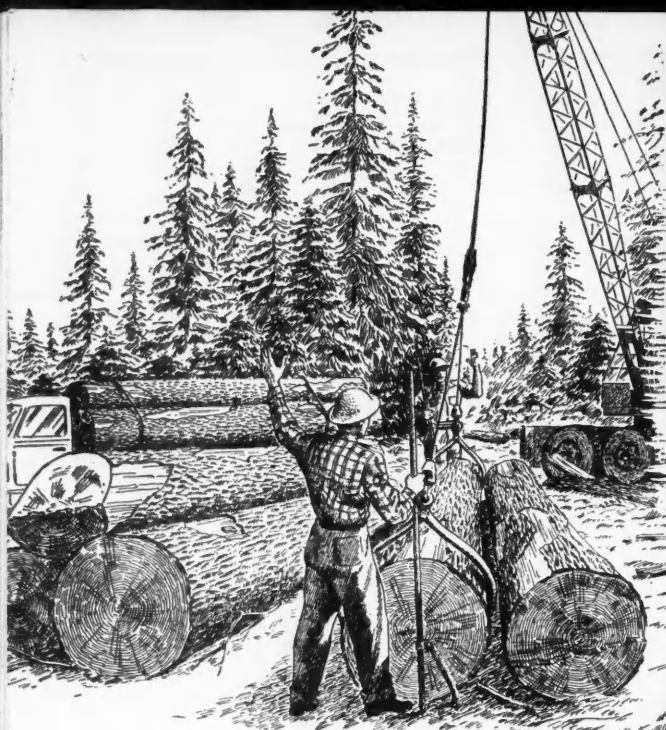
Texas Co.: Earnings compare favorably with a year ago with the help of higher receipts from foreign subsidiaries. Cash flow for exploration and expansion is amply covered by resources. Dividend could be increased. A^{1*}

Tide Water Associated: Company in process of revamping its refining facilities and adding to crude reserves. Has stopped cash dividend payments in order to husband available cash. C¹

Union Oil of California: Major improvement program will ultimately spur more profitable operations. Activities spreading from the west coast. Stock probably has discounted recently increased dividend. B²

Warren Petroleum: Pressure on natural gasoline prices should lessen but earnings may fall below the fiscal year ended June 30, 1954. Dividend rate conservative. C²

RATING: A—Best grade. B—Good grade. C—Fair. D—Poor. ¹—Sustained earnings trend. ²—Lower earnings trend. *—Most attractive of group.



Is Paper Industry at Crest?

By PHILLIP DOBBS

The fast-stepping paper industry is well on its way to another banner year. Moving into the second half of 1954, the only question seems to be how closely the current twelve month will approach the record output achieved last year when paper production amounted to 26,600,000 tons. That all-time record topped the 1952 output by about 9%.

With the industry well into the third quarter of the year, the showing closely approximates the out-turn of peak 1953. A slight decline in 1954 would be a normal adjustment, for it is axiomatic in the business that its advance is reasonably steady, with a slight adjustment following each record production year. This, while recession talk is prevalent in such fields as the automotive, steel and textile, there is no serious concern about the outlook in this industry which wraps up thousands of new products every year.

The paper and pulp industry of this continent, besides compiling new high records for production and consumption, is bolstered by an earnings record in recent years that dwarfs the average return in most other manufacturing industries. Over the past five years, the average profit to the people who turn out the paper that is essential to our society has been nearly 8 cents per dollar of sales. This compares with an average return of about 6% for all manufacturing industries. Over the past year, 28 top companies in the paper trade grossed \$3,455,165,000. Their pretax earnings totaled \$585,214,000, or 17% of the take, and net income amounted to \$279,022,-

000, or 8.1% of the volume.

Production Close to Peak

Total production of paper and paperboard for the first six months of 1954 is estimated to have been 13,153,761 tons. This was 1.2% and 4.1% less than for the same period of 1953 and 1951, respectively, when previous record highs were registered, but 8.1% higher than 1952. The production of paper, including newsprint and building paper, for the year to date is 6,424,546 tons and that of the paperboard, including building board, 6,729,215 tons. Thus, it is clear that in terms of tons produced, 1954 should be one of the industry's best years. Such an achievement, of course, will depend on the levels of industry and trade in the last six months of this year. If, as the Administration and many business leaders believe, the decline in the economy has reached its lowest point and the months ahead will stabilize at the present or slightly higher levels, there is a chance the paper industry will emerge with the best year in its history.

The stability of the paper industry in periods of recession again was demonstrated in the early months of this year. With an overall drop of 10% in the Federal Reserve Board Index of Industrial Production its component index of paper and board production declined only 4% from peak 1953. Indeed, paper production was up about 2%, newsprint up 5%, while paperboard output was off about

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5% and board about 4%.

Paper manufacturing 1954 profits before taxes seem assured at about the 1953 levels. Paperboard companies' average profits before taxes should be lower because a lower average production ratio is expected to prevail compared with 1953. The profit pattern for paperboard is expected to be somewhat mixed, depending on individual situations (the "product mix" is all-important) but on the average paperboard profits figure to be lower. The demise of the excess profits tax should be helpful to nearly all firms.

A better understanding of the industry may be gleaned by citing the fact that a company such as Crown Zellerbach Corp. is an important factor in such fields as fine, coarse, printing and tissue papers. International Paper Corp. competes in the fine, coarse and printing-paper fields as does Champion Paper & Fibre Co. The foregoing should serve to point up the impossibility of sweeping generalization in an industry where the "product mix" is so varied. Let us proceed from here to examine some of the major components of the paper industry.

Newsprint Situation

A good start has been made in the second half of 1954 insofar as the newsprint segment of the busi-

ness goes, for in July combined Canadian and United States production of newsprint set a record for that month of 600,303 tons. In June, newsprint output of the two nations also amounted to a new high for that month of 587,290 tons. For the first seven months of 1954, total Canadian-United States newsprint production amounted to 4,103,678 tons, a gain of 4.2% from the corresponding period of last year. Newspapers reporting to the American Newspaper Publishers Association consumed 338,471 tons of newsprint in July, 0.5% below the level of July last year, but 2.7% above that of July, 1952. For the first seven months of 1954, the reporting newspapers consumed 2,668,959 tons of newsprint. This was 0.4% less than a year earlier, but 2.6% more than in 1952.

Purchases by European and other overseas nations should provide an added stimulus, for these countries are moving toward an easing of rationing and a higher standard of life. The British Government is considering a request from newspapers in that country that they be permitted to import 50,000 tons more newsprint from Canada in 1955.

Production of printing paper (exclusive of newsprint) was 285,000 tons in June, a decline of 5% from the May level. As a result, the manufacture of these papers during the second quarter, contrary to last year, was below (Please turn to page 776)

Statistical Data on Leading Paper Companies

	1st 6 Months				Full Year								Recent Price	Div. Yield
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Div. per Share		Price Range 1953-54			
	1953 —(Millions)—	1954	1953	1954	1953	1954	1952	1953	1953	Indicated 1954				
CHAM. PAPER & FIB. W.C. (mil.) '52—\$26.3 W.C. (mil.) '53—\$26.2	\$ 32.6 ¹	\$ 32.3 ¹	7.6% ¹	7.4% ¹	\$ 1.09 ¹	\$ 1.03 ¹	\$ 3.82	\$ 4.13	\$ 1.62½	\$ 2.00	47¾-26½	\$47	4.2%	
CONTAINER CORP. AM. W.C. (mil.) '52—\$28.8 W.C. (mil.) '53—\$27.8	92.7	90.7	5.3	8.9	1.91	3.18	4.01	3.94	2.75	3.00 ⁴	64½-28¾	57	5.2	
CROWN ZELLERBACH W.C. (mil.) '52—\$77.7 W.C. (mil.) '53—\$99.8	252.7 ²	297.9 ²	8.6 ²	9.0 ²	3.52 ²	3.48 ²	3.88	3.52	1.65	1.95	53½-26½	52	3.7	
DIXIE CUP W.C. (mil.) '52—\$13.5 W.C. (mil.) '53—\$16.0	21.4	23.5	6.3	8.2	1.77	2.28	3.02	3.55	1.65	1.80	60 -31¼	58	3.1	
GAIR (ROBT) CO. W.C. (mil.) '52—\$21.1 W.C. (mil.) '53—\$20.9	59.4	57.5	5.4	4.7	1.48	1.20	2.66	2.96	1.50	1.50	27 -15¾	24	6.2	
GAYLORD CONTAINER W.C. (mil.) '52—\$19.6 W.C. (mil.) '53—\$19.5	46.0	43.5	7.6	8.4	1.30	1.36	3.01	2.89	1.50	1.50	34¼-21¾	30	5.0	
GT. NORTHERN PAPER W.C. (mil.) '52—\$14.1 W.C. (mil.) '53—\$19.8	21.9	22.5	10.8	9.2	2.38	2.09	4.64	4.63	3.00	3.00	73½-49½	66	4.5	
INTERNATIONAL PAPER W.C. (mil.) '52—\$125.2 W.C. (mil.) '53—\$142.6	337.7	331.9	8.4	9.1	2.87	3.06	5.23	6.44	3.00 ⁴	3.00	80¾-43¾	75	4.0	
KIMBERLY-CLARK CORP. W.C. (mil.) '52—\$37.8 W.C. (mil.) '53—\$46.4	41.4 ²	40.8 ²	5.2 ²	7.3 ²	.51 ²	.69 ²	4.08	5.23	2.40	2.70	75 -39¼	70	3.8	

¹—Quarter ended June 30.

²—Quarter ended July 31.

³—9 months ended July 31.

⁴—Plus stock.

(Please turn to page 756)

Statistical Data on Leading Paper Companies (Continued)

	1st 6 Months				Full Year				Dividend Per Share		Price Range 1953-54	Recent Price	Div. Yield
	Net Sales 1953	Net Sales 1954	Net Profit Margin 1953	Net Profit Margin 1954	Net Per Share 1953	Net Per Share 1954	Earned Per Share 1952	Earned Per Share 1953	1953	1954			
LILY-TULIP CUP	\$ 27.3	\$ 30.1	5.5	8.9	\$ 2.23	\$ 3.96	\$ 3.97	\$ 4.57	\$ 1.67	2.40 ⁴	94½-39	\$87	2.7
W.C. (mil.) '52—\$12.2													
W.C. (mil.) '53—\$11.7													
MARATHON CORP.	52.2	55.4	5.2	5.2	.73	.78	2.18	1.55	1.20	1.20	28½-16¾	25	4.8
W.C. (mil.) '52—\$34.6													
W.C. (mil.) '53—\$35.2													
MEAD CORP.	52.3	51.3	4.9	4.8	2.15	2.01	4.97	4.41	1.65 ⁴	1.80	40½-21½	38	4.7
W.C. (mil.) '52—\$20.1													
W.C. (mil.) '53—\$22.0													
NAT. CONTAINER	30.8	35.2	6.8	4.1	.64	.40	1.17	1.07	.60 ⁴	.60	17½-11½	13	4.6
W.C. (mil.) '52—\$15.2													
W.C. (mil.) '53—\$14.7													
RAYONIER	36.0	40.9	14.8	14.5	2.37	2.67	4.90	4.72	1.50	1.75	43½-22½	42	4.1
W.C. (mil.) '52—\$28.5													
W.C. (mil.) '53—\$34.7													
ST. REGIS PAPER	101.7	101.3	7.0	7.8	1.30	1.40	2.32	2.91	1.25	1.50	32½-17¼	30	5.0
W.C. (mil.) '52—\$39.6													
W.C. (mil.) '53—\$48.5													
SCOTT PAPER	81.4	87.4	6.9	8.2	1.81	2.08	3.44	3.60	2.70	3.00	100¾-54	87	3.4
W.C. (mil.) '52—\$42.7													
W.C. (mil.) '53—\$29.6													
SUTHERLAND PAPER	28.4	27.6	5.2	7.6	1.66	2.20	2.74	3.25	1.50	1.60	48¼-25	41	3.9
W.C. (mil.) '52—\$13.3													
W.C. (mil.) '53—\$14.4													
UNION BAG & PAPER	52.0	51.3	9.9	10.6	2.91	3.09	6.24	5.58	3.00	3.00	63¾-38¼	61	4.9
W.C. (mil.) '52—\$27.6													
W.C. (mil.) '53—\$25.4													
W. VA. PULP & PAPER	118.7 ³	121.6 ³	8.2 ³	7.5 ³	1.93 ³	1.79 ³	2.47	2.83	1.00	1.40	36¼-17¼	32	4.3
W.C. (mil.) '52—\$35.9													
W.C. (mil.) '53—\$36.0													

¹—Quarter ended June 30.

²—Quarter ended July 31.

³—9 months ended July 31.

⁴—Plus stock.

Champion Paper & Fibre: Decline in industrial paperboard demand has been offsetting continued earnings expansion of white paper divisions. Moderately lower 1954 earnings still safeguard the \$2 dividend. B²

Container Corp: Demand for paperboard containers continues easier; but, sharply reduced purchased materials costs and other economies indicate substantial earnings gain this year. The \$3 dividend has ample coverage. B¹

Crown Zellerbach: Sales of this largest West Coast paper maker continue long-term growth despite reduced industrial demand for semi-finished products. Moderate earnings improvement suggests some addition to \$2 dividend. B¹

Dixie Cup: Broad acceptance of a widening variety of paper cups and food containers is producing new sales and earnings peaks. An increase in the \$1.80 dividend seems a reasonable expectation. B¹

(Gair Robert) Co., Inc.: Return to normal competitive conditions in paperboard containers during past year following lush Korean War markets has reduced margins and earnings moderately below 1953 levels but \$1.50 dividend remains amply covered. C²

Gaylord Container: Despite somewhat lower container demand, good cost control and absence of EPT are producing earnings slightly above the \$2.89 per share 1953 level. The \$1.50 dividend seems safe. C¹

Great Northern Paper: Important expansion of Canadian newsprint supply is finally making this market more competitive. The \$3 dividend appears safe but stock seems fully-priced. C²

International Paper: Current earnings of this largest paper producer are being moderately improved by elimination of EPT; some increase in \$3 dividend possible. Important production shifts from low to high-profit items improving basic earning power. B¹

Kimberly-Clark: This leading producer of book papers, sanitary pads and tissues is splitting stock 2-for-1, October 1954. Moderately higher earnings may permit some increase in \$3 dividend. B¹

Lily-Tulip Cups: Widening use of paper cups and food containers continues to expand earnings. Growth prospects appear to justify relatively high price and low yield. B¹

Marathon Corp.: Despite continuing sales expansion of food wrapping papers and containers, higher taxes may keep earnings only moderately above the 1953 level. No early increase in dividends is expected for this growth issue. B¹

Mead Corp.: Reduced paperboard demand has been offsetting growth in white paper; earnings may be somewhat below 1953 levels despite absence of EPT. However, no decrease in the \$1.50 dividend plus 2½% stock is expected. C²

National Container: Plant breaking-in expense and greater container and multiwall bag competition may produce share earnings somewhat below the \$1.07 reported last year. The 60¢ dividend plus 2% stock appear safe. C²

Rayonier, Inc.: Stabilized rayon consumption and expanding pulp shipments to non-rayon producers are raising earnings above the \$4.72 level of 1953. The newly-increased dividend (to \$2) seems amply covered. B¹

St. Regis Paper: Share earnings of this third largest paper manufacturer are moderately above last year's \$2.91 level due to operating efficiencies and EPT elimination. The \$1.50 dividend appears secure. B¹

Scott Paper: Despite continuing moderate earnings growth, the present high price and low yield of the stock of this leading toilet tissue producer would seem justifiable largely upon the soundness of recent acquisitions. A¹

Sutherland Paper: Its paperboard products for food packaging and handling have growth prospects; considerably improved earnings this year, reflecting lower materials costs and absence of EPT, suggest increase in \$1.60 dividend. B¹

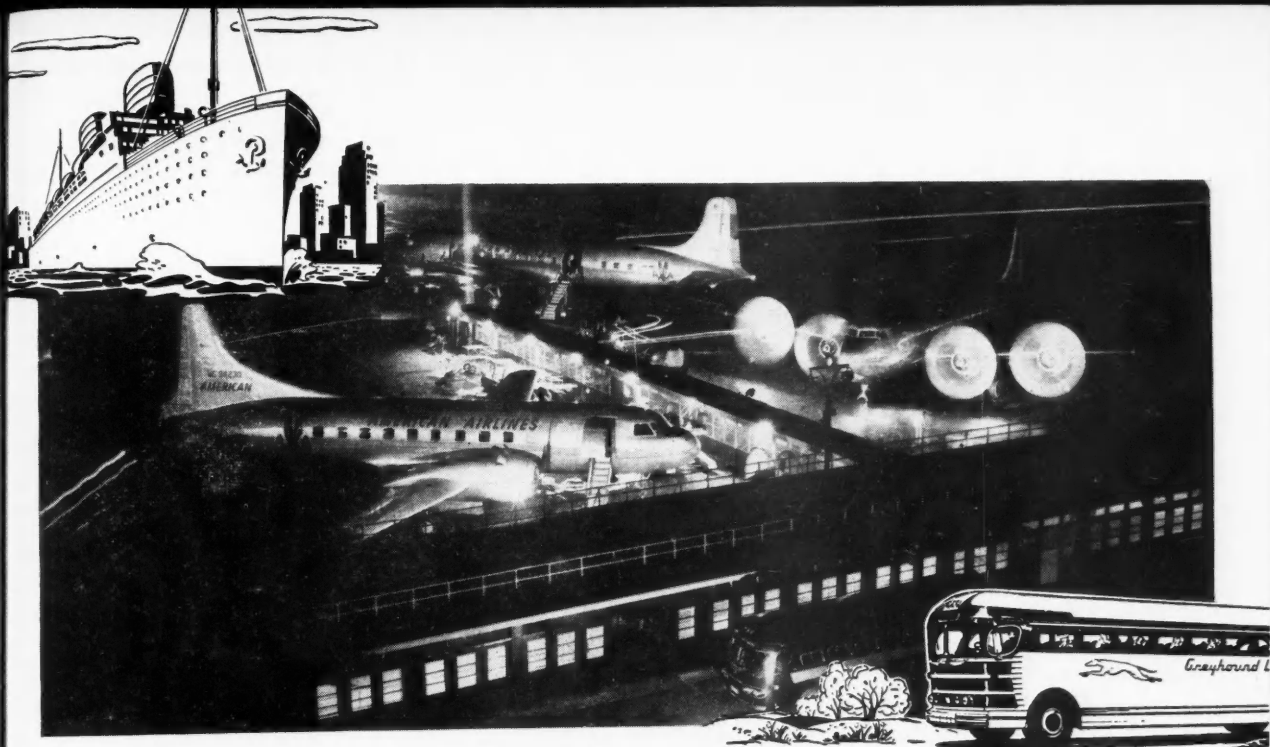
Union Bag & Paper: Share earnings of this largest Kraft bag manufacturer are running above the \$5.58 level of 1953 because of acquisitions and cost control rather than EPT relief. The \$3 dividend seems amply earned. B¹

West Virginia Pulp & Paper: Merging of Hinde & Dauche's large box-making facilities with Company's containerboard production improves basic earning power. Share earnings are somewhat below the \$2.83 (adjusted) level of 1953 but the \$1.40 dividend is secure. B²

RATING: A—Best grade. B—Good grade. C—Fair. D—Poor.

¹—Sustained earnings trend.

²—Lower earnings trend. *—Most attractive of group.



CAN AIRLINES SOLVE GROWING PROBLEMS?

Review of Bus-Truck-Shipping

By H. F. TRAVIS

Business for practically every one of the commercial air line companies for the first six months of 1954 was good. Good, that is, when measured by continuing gains in passenger traffic and gross revenues. Operating results, however, when measured by net profits, were not so good.

There was one exception—*Braniff Airways*. That line cut expenses by almost \$500,000, and without the aid of capital gains of \$1.8 million realized in the first half of last year, was able to show net income of \$795,871 for the 1954 half-year period, compared with \$223,612 a year ago. Braniff, in the six months to June 30, 1954 was able to reduce its operating ratio from 108 per cent to 94.1 per cent and to realize a net profit equal to \$1.02 a share for the common stock. The 1953 first half net amounted to 62 cents.

No other operator in the group made anything like a favorable showing for the first six months. The principal drags on net earnings have been costs which continue their upward course, the weight of heavy depreciation charges, as well as the rising volume of coach passengers which while expanding passenger revenues, does not yield as high a profit margin as that derived from fares on first class flights.

Although it has been said that air transportation

came of age several years ago, it is apparent that the commercial air line companies have yet to establish themselves on a firm basis, a fact which in no way reflects on the managerial ability of any one of them. The comparatively fast growth of air travel, particularly in coach flights, has posed a problem concerning fares in relation to those charged on the "red carpet" flights and the use of equipment to handle the lower cost business. In the industry itself there is a difference of opinion as to the best way to dissolve this perplexing problem. Unquestionably, development of coach services at lower rates of fares, while attracting an increasing number of new devotees to air travel, has also weaned a high percentage of passengers away from the luxury flight planes.

Offhand, it would appear that the quickest way to remedy the situation would be to increase coach fares. Several of the air lines have been in favor of such action, but others have not been in agreement. The latter group apparently being of the opinion that by maintaining coach rates at current levels there was the likelihood of the comparatively low fares attracting an increasing number of air tourists. This attitude is based on the belief that greater coach travel would increase the pay load on many flights and help offset continuing high operating costs.

Prominent in this group of coach flights advocates are *Eastern Airlines*, *National Airlines* and *Trans World Airlines*, the latter stating that its development of this economy style air tourist travel continues to pay off. In its report covering the first six months of the current year, Trans World said its revenue from this type of service increased 41.8 per cent over that for the corresponding months of last year. Like its contemporaries that are in the van in increasing coach flights, Trans World has proceeded on the belief that it is pursuing a basically sound approach in providing a service within the purse means of the greatest number of people. Trans World Airlines expects that within three to five years, the industry will show 80 per cent of its passenger revenues derived from mass, as contrasted with class service, and by the end of this decade the total dollar revenues will be more than doubled. Moreover, before the end of that time, what is now called air tourist service will be regarded as standard class with the present first class flights, considered luxury service.

Higher Depreciation Important

The accuracy of this forecast already appears to be partly substantiated by Trans World's experience

and that of Eastern and National Airlines, now carrying more coach than first class passengers. Competition will undoubtedly force other lines to expand the number of coach flights in their schedules. Meanwhile, all of the airlines have other problems, not the least of which are how to sustain the load factor at a satisfactory level and maintain earnings while confronted with high operating costs, including heavy depreciation charges, even though gross operating revenues for many of the air lines for the first half of this year are up materially from the 1953 first six months. For example, *Eastern Airlines'* gross revenues for the six months ended June 30, 1954, increased to \$86.9 million, a gain of 13 per cent from \$76.9 million a year ago. Offsetting this better showing, however, was an increase of 17.3 per cent from \$66.3 million for the 1953 half-year to \$77.9 million in this year's first half operative expenses, including depreciation charges. Consequently, Eastern's net profit for the 1954 period fell to \$1,484,848, from \$2,482,313 a year ago. The report, broken into quarters, shows \$1,139,080, equal to 46 cents a share was realized in the first three months while second three months' indicated net declined to \$345,768, or 14 cents a share, making a total of 60 cents a share earned in the first half of this year against \$1.00 a (Please turn to page 779)

Statistical Data on Three Transportation Groups

	AIRLINES												
	Net Sales		1st 6 Months				Full Year				Price Range 1953-54	Recent Price	Div. Yield
	1953	1954	Net Profit 1953	Margin 1954	Net Per Share 1953	1954	Earned Per Share 1952	1953	Dividend Per Share 1953	Indicated 1954			
	—(Millions)—												
AMERICAN AIRLINES..... W.C. (mil.) '52—\$39.5 W.C. (mil.) '53—\$34.2	\$ 98.8	\$111.2	6.8%	4.5%	\$.92	\$.66	\$ 1.72	\$ 1.86	\$.50	\$.60	15¾-11½	14	4.2%
BRANIFF AIRWAYS..... W.C. (mil.) '52—\$3.6 W.C. (mil.) '53—\$1.1	19.1	21.4	1.2	3.7	.17	.62	1.02	.01	.....	.....	11⅞- 5⅞	9	.....
CAPITAL AIRLINES..... W.C. (mil.) '52—\$.7 W.C. (mil.) '53—\$1.3	21.9	22.0	2.9	.1	.83	.05	1.80	2.10	.....	.....	13½- 8½	13	.....
EASTERN AIRLINES..... W.C. (mil.) '52—\$20.4 W.C. (mil.) '53—\$14.3	76.9	86.9	3.2	1.7	1.00	.60	3.43	3.20	.50	.50	29¼-20⅝	26	1.9
NATIONAL AIRLINES..... W.C. (mil.) '52—\$4.1 W.C. (mil.) '53—\$6.3	24.5 ²	28.6 ²	14.7 ²	15.4 ²	3.58 ²	4.39 ²	2.05	3.99	.55	.60	17⅞-11⅞	16	3.7
NORTHWEST AIRLINES..... W.C. (mil.) '52—\$3.0 W.C. (mil.) '53—\$2.8	29.0	28.5	1.0	(d) 1.1	.11	(d) .67	1.64	1.84	.....	.....	14½- 7½	10	.....
PAN AM. W. AIRWAYS..... W.C. (mil.) '52—\$ 6.5 W.C. (mil.) '53—\$14.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.09	1.77	.65	.80	15¼- 8¼	13	6.1
TRANS WLD AIRLINES..... W.C. (mil.) '52—\$1.2 W.C. (mil.) '53—(d)\$1.8	90.0	93.3	3.3	2.0	.90	.58	2.30	1.52	.....¹	.....	20¼-12¾	19	.....
UNITED AIR LINES..... W.C. (mil.) '52—\$20.1 W.C. (mil.) '53—\$ 7.0	83.0	87.3	4.9	2.8	1.45	.81	4.03	3.28	1.50	1.50	32¼-21⅞	25	6.0
WESTERN AIR LINES..... W.C. (mil.) '52—\$1.3 W.C. (mil.) '53—\$.7	10.8	11.0	3.7	2.4	.58	.38	1.72	1.66	.60	.60	12⅜- 8⅜	11	5.4

n.a.—Not available.

¹—10% stock.

²—9 months ended March 31.

Statistical Data on Three Transportation Groups (Continued)

BUS & TRUCKING

	1st 6 Months				Full Year						Price Range 1953-54	Recent Price	Div. Yield
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share				
	1953 (Millions)	1954	1953	1954	1953	1954	1952	1953	1953	1954			
GREYHOUND	\$115.1	\$103.7	4.5%	3.7%	\$.48	\$.35	\$ 1.26	\$ 1.27	\$ 1.00	\$ 1.00	14½-11¾	12	8.3%
W.C. (mil.) '52—\$21.4													
W.C. (mil.) '53—\$18.3													
N. Y. CITY OMNIBUS	9.6	12.9	1.6	5.6	.32	1.46	2.52	1.47		1.00 ¹	25¾-14¾	25	4.00
W.C. (mil.) '52—(d)\$1.5													
W.C. (mil.) '53—(d)\$.3													
OMNIBUS CORP.	2.9	10.3 (d)	1.2	5.3	(d) .56	.79	.66	.31	.75	1.00	25½- 9½	24	4.1
W.C. (mil.) '52—\$2.2													
W.C. (mil.) '53—(d)\$1.4													
U. S. FREIGHT	65.2	64.2	.8	.8	1.79	1.71	4.59	4.04	2.00	2.00	31¼-22	29	6.8
W.C. (mil.) '52—\$ 9.8													
W.C. (mil.) '53—\$10.6													

(d)—Deficit.

¹—Paid thus far in 1954.

SHIPPING

AM. EXPORT LINES	n.a.	n.a.	n.a.	n.a.	\$ 1.60	(d) \$.33	\$ 3.20	\$ 2.99	\$ 1.50		17 1/4-12 1/2	14	
W.C. (mil.) '52—\$12.2													
W.C. (mil.) '53—\$17.2													
AM.-HAWAIIAN S.S.	n.a.	n.a.	n.a.	n.a.	.77	(d) .70	(d) .78	3.40	3.00	3.00	70 -48	65	4.6
W.C. (mil.) '52—\$12.7													
W.C. (mil.) '53—\$17.1													
MOORE-McC. LINES	n.a.	n.a.	n.a.	n.a.	1.04	1.06	4.71	2.64	1.50	1.50	18 1/4-11 1/4	15	10.0
W.C. (mil.) '52—\$5.4													
W.C. (mil.) '53—\$9.5													
U. S. LINES	n.a.	n.a.	n.a.	n.a.	2.38	1.48	6.95	4.34	1.50	.37 1/2 ¹	22 1/2-13 1/2	16	2.3
W.C. (mil.) '52—\$4.9													
W.C. (mil.) '53—\$3.1													

n.a.—Not available.

¹—Paid \$37 1/2 plus stock thus far in 1954.

²—Paid thus far in 1954. ³—Atlantic, Gulf & West Indies S.S. omitted because of partial liquidation.

(d)—Deficit.

AIRLINE COMPANIES

American Airlines: Increased operating costs and costly prolonged pilots' strike likely to reduce earnings substantially under 1953 net of \$1.86 a share. Current dividend rate should hold. This largest domestic carrier has good long-range growth prospects. B²

Braniff Airways: Increased mail rates over certain routes and recently approved joint through service with TWA improves earnings outlook. No dividend in sight, but stock worth retaining on speculative basis. C¹

Capitol Airlines: Hopes to improve highly competitive position upon delivery of Viscount turbo-jet planes. Expenditures for this equipment pushes dividend resumption further into the future. Merger possibilities enhance stock as a speculative issue. C²

Eastern Airlines: A major airline with valuable and strategic routes. Heavy depreciation charges on new equipment depressing earnings, but providing good cash flow. Dividend should be maintained. B²

National Airlines: A comparatively low-cost operator. Has been aided by non-recurring capital gains which may pull 1954 fiscal year earnings close to last year's \$3.90 a share. Dividend amply covered. C²

Northwest Airlines: Experiencing difficulty in realizing profitable operations since Korean truce and CAB action reducing rate of mail pay. 1954 first half-year deficit pushes preferred dividends further in arrears. D²

Pan American World Airways: Favorable decision on mail rate pay would benefit this operator of the world's air transportation system. Rising costs likely to hold 1954 earnings under last year, but moderate dividend appears secure. B²

TransWorld Airlines: Earnings for 1954 second half-year expected to show gain over 58 cents a share for the first six months. Heavy expenditures for new planes scheduled for 1955 delivery and debt restrictions are barriers to any near-term dividend. B²

United Air Lines: Increased operating costs and heavier depreciation charges should reduce 1954 earnings from \$3.28 a share reported for last year. Regular 25-cent quarterly dividends appear secure but there is some justification for uncertainty about payment of 50-cent year-end extra. B²

Western Air Lines: Non-recurring 1954 first half-year gains offset operating loss. Keener competition and rising costs taking bigger bite

of operating revenues. Four new DC-6Bs now in operation and three more scheduled for October delivery may improve competitive position. Dividends of 15 cents quarterly may be maintained. C²

BUS COMPANIES

Greyhound Corp.: Earnings lower this year. Dividend coverage is narrow, the \$1.00 annual rate insecure. Stock speculative and unattractive from an appreciation viewpoint. C²

N. Y. City Omnibus Corp.: Like most traction stocks, is speculative. Earnings up sharply in first half of current year. No dividends in 1953, resumption with payment \$1.00 made last June. Effective control may change. C¹

Omnibus Corp.: If sale of company's interest in Fifth Avenue Coach Co. is affected then Omnibus would change from traction equity and have funds for more profitable investment in leasing and renting of trucks and passenger cars. Name to be changed to Hertz Corp. C¹

United States Freight Co.: Largest freight forwarder, trucker, etc. Earnings slightly lower in first half 1954. Dividends of 50¢ quarterly plus possible 25¢ year-end extra indicate good yield. Stock is speculative. C¹

SHIPPING COMPANIES

American Export Lines: Drastic decline in cargo business in first half-year resulting in sizable deficit resulted in omission of dividend for the third quarter. Immediate prospects of earnings upturn lacking.

American-Hawaiian Steamship: Good 1953 earnings, aided by non-recurring profits, not likely to be duplicated in current year. Strong finances protect \$3 annual dividend rate on shares having high asset value. C²

Moore-McCormack Lines: Moderate improvement in 1954 earnings over last year's \$2.64 a share indicated. Dividends should continue at current 37 1/2 cents quarterly rate. C¹

United States Lines: Recorded sharp earnings gain in 1954 second quarter over first three months which reflected effect of New York dock strike. Full year's earnings may fall short of matching 1953 net of \$4.34 a share, but 37 1/2 cents quarterly dividend, payments of which were resumed last June, should continue. C²

RATING: A—Best grade. B—Good grade. C—Fair. D—Poor.

¹—Sustained earnings trend.

²—Lower earnings trend. *—Most attractive of group.

FOR PROFIT AND INCOME



Toppy

Over the last five weeks the market's general chart pattern has looked more "toppy" than in many months. At this writing, however, after several sessions of rally, the Dow industrial average is down only some 2% from its high. Many stocks are down 10% or more from their highs, and may have topped at least for some time to come. Examples include National Dairy, General Electric, Aluminum Company, Amerada, Allied Chemical, American Can, Columbia Broadcasting, Scott Paper, Union Carbide.

Support

Stocks currently showing good support include American Agricultural Chemical, Atlas Corp., Butler Bros., General Time, Pressed Steel Car, Universal Pictures, Decca Records, Warner Bros., Armstrong Cork, Associated Dry Goods, Allied Stores, Federated Department Stores, Shell Oil, Hiram Walker, Ruberoid, Rayonier, Dixie Cup, Dana Corp., General Motors, Chrysler, Blockson Chemical, Champion Paper, Sinclair Oil, Homestake.

Flop

If you think of the air-conditioning boom in terms of sales of, and profits on, the window-type units for single-room cooling, the "boom" fell on its face this summer. In the first place, output of units was excessive. In the second place, it was a summer without protracted periods of exces-

sive heat and humidity in the most populous areas. So sales were hampered. Regardless of weather, air conditioners have for some time been among the appliances for which nobody would think of paying list prices. The manufacturers' margins are narrow; and became more so this season, with price cutting aimed at moving excessive stocks. On the retail end, discounts of 50% or more from list were common even early in the season. The profit promise is not in room units but in full residential air-conditioning equipment and in commercial installations. Continuing growth in both is indicated. Carrier Corp., leading stock in this field, has reacted rather sharply from earlier high of 62 1/4, recently selling under 49. Basically, it is as good a speculation as before. Practically, it becomes a better speculation as the price is marked down. However, there is no need for haste in ac-

cumulation. Other things being equal, seasonal revival of stock market interest in air conditioning stocks is unlikely before late winter or early spring of 1955.

Building

Nearly all types of building stocks have been performing relatively well for some time, in line with continuing record-level construction activity. Cement stocks are in a favored position because of prospects of a large volume of road building and other public works for an extended time to come, but these issues are generally high on earnings and current dividend yields are fairly low. In the roofing-wallboard group competition is intense, but there are some good issues, including National Gypsum, Ruberoid and U. S. Gypsum. Fundamentally, the paint makers are in the best position on a long-term view. This is because the bulk of the demand

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Bath Iron Works	6 mos. June 30	\$2.62	\$2.13
Bullard Co.	6 mos. June 30	6.50	3.66
Procter & Gamble	Year June 30	5.42	4.35
Bendix Aviation	Quar. June 30	2.99	1.90
General Dynamics Corp.	6 mos. June 30	4.24	3.29
Halliburton Oil Well Cement	6 mos. June 30	2.64	1.50
U. S. Hoffman Machinery	6 mos. June 30	1.21	.49
Peoples Gas Lt. & Coke	Quar. June 30	3.53	3.08
Sperry Corp.	6 mos. June 30	5.56	3.84
Sterling Drug	6 mos. June 30	1.82	1.58

for paint is for replacement, and is affected less by the construction cycle than is that for any other building materials. The basic replacement market for paint has been enormously and permanently enlarged by the post-war building boom. There are some large and many small paint makers. Among the best situated are Sherwin-Williams, the leader; and, among secondary issues, Devoe & Reynolds and Pratt & Lambert. Two excellent stocks which have an important paint "content", but less than the others cited, are National Lead and Pittsburgh Plate Glass. Both of these companies are strongly diversified.

Cigarettes

Cigarette production in June was up about 4% from a year ago, and tax-paid withdrawals from bonded warehouses increased about 5% from a year ago, according to Government report. Tax-paid withdrawals are considered a rough measure of consumption. It may be a very rough measure in the present instance. Allowing for the effects of the lung-cancer scare, one might assume that actual consumption is at least a little under a year ago, the heaviest blast of adverse medical publicity not having been encountered until last December. On the basis of sales taxes collected on cigarettes, the State of New York reports that apparent consumption in July was 6% less than a year ago. Cigarette stocks show some indications of having stabilized, but reasons for a significant recovery remain absent. Formerly of investment grade as stable-income stocks, they are now more speculative, yet lacking in dynamic speculative appeal.

Good Yield

Seaboard Finance is the fourth

largest small-loan company, operating over 200 offices in 26 states, with the heaviest concentration of business in California. As we have pointed out here before, this is a good kind of business because it is much more stable than most, yet subject to considerable growth. Between 1946 and 1953, loan volume of Seaboard and its net income about quadrupled. Both will set new records for the fiscal year ending September 30. In nine months to June 30, net income was more than 7% higher on year-to-year comparison. Because of increase in shares outstanding, due to conversions of preferred stock, earnings were \$1.64 a share, against \$1.76 in the comparable 1952-1953 period. However, final-quarter earnings need only approximate those of the June quarter (52 cents a share) to bring full-year net into line with the prior year's record \$2.14 a share. The company's policy is to pay out the bulk of earnings and to finance expansion via external funds, provided mainly by borrowing. Around 28, on a \$1.80 dividend rate, the stock yields over 6.4%. The comparatively high yield is due to fairly narrow margin of dividend coverage, and to the fact that the stock has less investment standing than those of the largest small-loan companies. But if you want an above-average yield, you have to make some compromise. The \$1.80 rate, established in the recession year 1949, appears secure under any presently foreseeable conditions. It is about 84% of earnings; but, because of the stability of the business, is probably safer than a good many dividends which are 50% or less of earnings.

Stock Splits

So far this year, stock splits effected or proposed (proposed

splits always are ratified by shareholders where this formality is required) have been running near record levels, close to 1953 in numbers. The more important ones include Boeing Airplane, Douglas Aircraft, Food Fair Stores, General Electric, Illinois Central, Indianapolis Power & Light, International Business Machines, Outboard Marine & Mfg., Ruberoid, Seaboard Oil, Shell Oil, and Chicago Pneumatic Tool. Some more recent ones are Kimberly-Clark, National Dairy Products, Northrop Aircraft, Sperry and Thompson Products. Stocks usually rise on "insider" buying in advance of a split, and rise further when the news is released. Of course, a split adds nothing to a stock's intrinsic value. In more cases than not, however, a split is accompanied or followed by some liberalization of dividend payments, which does raise intrinsic values. Some such boosts prove to be disappointing, and to have been over-discounted. That was recently true, for example, of National Dairy, split two-for-one and put on the equivalent of a \$3.20 dividend on the old stock, against \$3 previously paid. (The stock has since reacted over 14 points from pre-split high of 89½.) Splits can never be forecast with entire assurance, since they depend more on management policy than the mere fact of a relatively high market price. Subject to that reservation, here are some "candidates" for splits: Addressograph, Allied Chemical, Amerada, Bendix Aviation, Borg-Warner, Corning Glass Works, du Pont, General Foods, Goodrich, Rohm & Haas, Scott Paper.

Growth Utility

Subsidiaries of Texas Utilities supply electricity to a large area of northeastern Texas, with a population around 2,500,000. The larger communities served are Dallas, Fort Worth, Waco, Wichita Falls and Tyler. In nine years 1945-1953, gross revenue rose over 160%, net income 387%, share earnings (despite considerable stock-financing of expansion) by over 246%. Earnings probably will be around \$3.50 a share this year, against \$3.33 in 1953. The 53-cent quarterly dividend (\$2.08 a year rate) could easily be raised. Around 56, yielding about 3.7%, the stock commands a premium on account of growth potentials, but is among the best of the growth-utilities.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

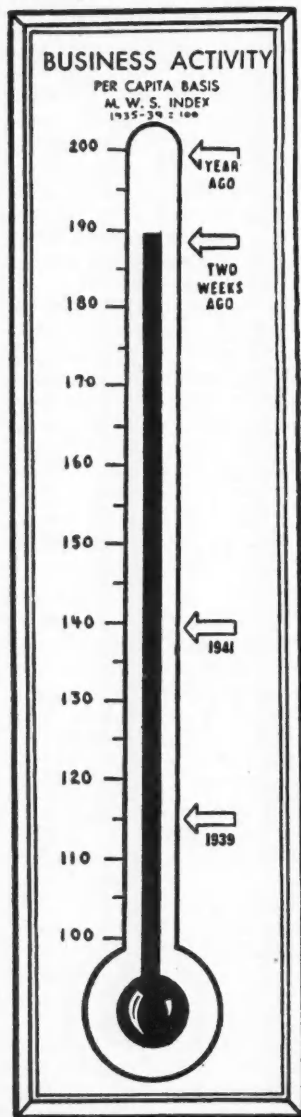
		1954	1953
Felt & Farrant Mfg. Co.	6 mos. June 30	\$.11	\$.39
Hershey Chocolate Corp.	6 mos. June 30	1.19	1.90
Mohawk Carpet Mills	6 mos. July 30	.75	2.34
Philco Corp.	6 mos. June 30	.41	3.19
Continental-Diamond Fibre	6 mos. June 30	.03	.95
Zenith Radio Corp.	Quar. June 30	.94	1.35
Georgia-Pacific Plywood Co.	Quar. June 30	.16	.41
Anaconda Wire & Cable	6 mos. June 30	2.91	4.27
Motorola, Inc.	6 mos. June 30	1.48	2.40
Firth Carpet Co.	6 mos. June 30	.02	.32

The Business Analyst

What's Ahead for Business?

By E. K. A.

One of the important factors contributing to strength in the business situation at the present time is the high degree of general commodity price stability. Although classical economists will contend that consumption of most commodities—and business activity accordingly—is stimulated by lower prices, the developments of the past year or so suggest that some rewriting of the text books is in order.



During the past eighteen months or more, the wholesale commodity price index has scarcely budged, and the cost-of-living index also has registered a high degree of stability. Considering the fact that many business men rather expected the end of the Korean war to touch off a deflationary down-spiral and in addition the normally deflationary implications of the contractions in industrial activity since the Spring of 1953, the overall stability in prices at all levels has been astonishing.

Just why the price level failed to slump—as it did no longer ago than during the 1948-49 recession which was no more severe than the business contraction that halted this Spring — is not within our province at the moment nor are the reasons therefor altogether clear. But, it is important to note that, although individual commodities — including finished products as well as raw materials — have been under pressure at times as a result of large supplies and none too aggressive demand, the price level as a whole has shown no signs of cracking.

Fear of widespread price deflation was an important contributing factor in the determination to reduce inventories a year ago. And, it has been inventory contraction rather than con-

traction of consumer spending that reduced the Federal Reserve Board index of industrial production from 137 (average 1947-49 equals 100) in the Spring of 1953 to 124 at the latest report. Consumers did pull in their horns a bit last Winter but, once they saw that retail prices were in no way likely to collapse, decided to buy in something like normal fashion.

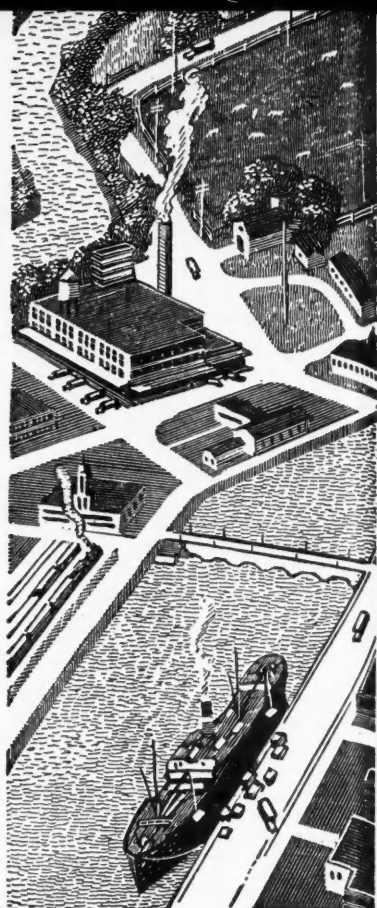
Retail price cutting in household appliances and automobiles, touched off by overstocking and stepped-up competition for business as sales showed signs of declining, accounted for most of the easiness in consumers' prices. Stocks have been whittled down and, judging from the most recent reports from the retail front, wide scale price cutting is approaching an end. Discount houses will continue to undersell but they probably will find it more difficult to obtain goods now that distress stocks have been pretty well cleaned up.

Officially, at least, there has been no particular amount of price reduction at the manufacturer level, although it is an open secret that dealers in a number of instances have been given an assist by producers in the form of special short term pricing. Now that business is picking up, a considerable number of manufacturers are planning to pass along some of the increased costs of production that have been accumulating over the past year.

A few industries here and there have not hesitated to pass along increased production costs, such as higher labor costs, in the form of price markups for their products. This, mind you, in the face of rather slow demand. The ability of labor to obtain wage increases at a time when operations were curtailed sharply is surprising enough. But, the ability of industry to pass these increased costs along and make the advances stick is truly astonishing.

The steel industry, operating at a bare 65 percent of capacity as a result of slim orders, has been able to raise prices several dollars per ton to compensate for wage increases.

Just as elimination of fears of price collapse contributed to the termination last Spring of the decline in industrial operations, we now are witnessing business showing signs of picking up on the prospect for higher prices in a number of directions at least. This isn't strictly according to the text books but this is 1954.



The Business Analyst

HIGHLIGHTS

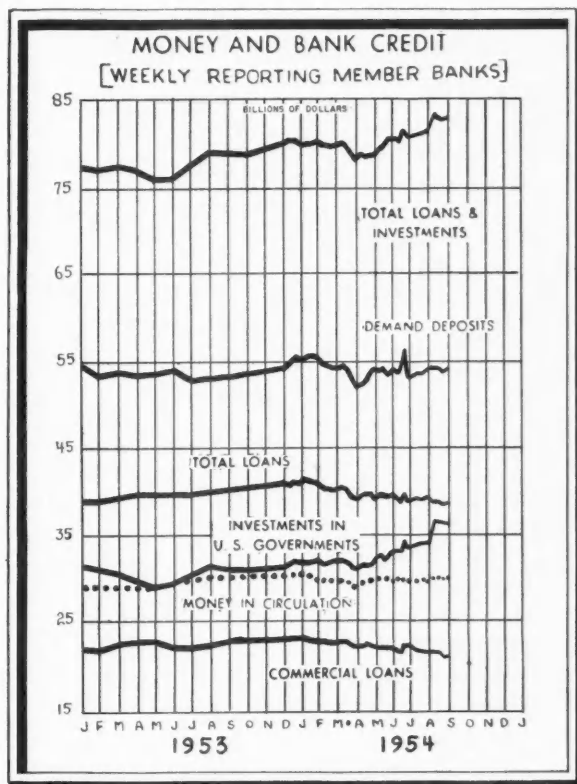
MONEY & CREDIT—The Federal Reserve has finally called a halt to its liquidation of Government securities. After two months of continual selling which reduced its investment in Treasury bills by \$1,335 million, the Federal Reserve banks switched to the buying side, acquiring \$70 million worth of bills in the week ending September 1. Although the move was prompted in part by the large demand for funds over the Labor Day holiday, nevertheless, the Central Bank's willingness to assist the member banks even though their excess reserves are large, has been widely interpreted as further affirmation of the easy money policy. The Federal Reserve's action had an immediate effect with the latest Treasury bill offering going at 1.016%, down from 1.023% the previous week. Yields, however, are still far above mid-year levels when the Treasury was able to market these obligations at an interest cost of only 0.635%.

Underwriters are going to be mighty busy this Fall, raising funds to meet corporate needs. Although Labor Day has just passed at the time of this writing, corporate issues to the value of more than \$1 billion are already set to come to market in the next eight weeks. Important offerings on the calendar include the \$250-million American Telephone & Telegraph issue scheduled for September 21, the \$52 million Northern Pacific refunding due September 23 and the \$75 million bond to be sold by New York Telephone Company, among a host of others. State and local agencies are also eager to borrow money, with some $\frac{1}{2}$ billion of obligations to be floated in the next two months. In this field, the bigger requisitions include \$136 million bonds of Local Housing Authorities, a \$140 million 40-year bond by the Kansas Turnpike Authority and \$100 million by the Virginia Tunnel Authority.

The spate of new issues which will be available to investors in coming weeks has cooled investor enthusiasm for seasoned obligations and the bond market turned reactionary in the two weeks ending September 7. Treasury obligations were lower with the $3\frac{1}{4}$ s of 1983-1978 giving up $\frac{1}{2}$ point, the Victory $2\frac{1}{2}$ s down $\frac{1}{4}$ and intermediate term obligations slightly under levels prevailing two weeks ago. Corporate bonds followed a similar course and an average of yields of best-grade issues was up two basis points during the period. Tax exempts have made the best showing, thus far. Although prices in this field have been shaded here and there, the Bond Buyer's yield index on September 2 remained unchanged for the sixth week in a row of stable prices.

TRADE—Retailers found their sales lagging as August drew to a close and Dun & Bradstreet estimates that total dollar volume for the week ending Wednesday, September 1, was about 2% below a year ago. The Midwest had the worst showing with a 6% drop from last year's levels. Fall apparel buying picked up last week and children's back-to-school clothes were in good demand. Auto sales were slow as new-car purchasers awaited the introduction of 1955 models. Demand for household goods was significantly under last year and clearance sales have not been as successful as in 1953.

INDUSTRY—Manufacturers experienced some improvement in



Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre- Pearl Harbor*
PRESENT POSITION AND OUTLOOK					
(Continued from page 763)					
MILITARY EXPENDITURES—\$b (e)	July	2.9	3.9	3.5	1.6
Cumulative from mid-1940	July	557.8	554.9	510.2	13.8
FEDERAL GROSS DEBT—\$b	Aug. 31	275.0	274.7	273.3	55.2
MONEY SUPPLY—\$b					
Demand Deposits—94 Centers	Aug. 25	54.2	53.7	53.3	26.1
Currency in Circulation	Sept. 1	29.9	29.8	30.2	10.7
BANK DEBITS—(rb3)**					
New York City—\$b	July	63.0	60.2	53.4	16.1
344 Other Centers—\$b	July	95.6	96.9	98.1	29.0
PERSONAL INCOME—\$b (cd2)	July	287	287	288	102
Salaries and Wages	July	196	196	201	66
Proprietors' Incomes	July	49	49	48	23
Interest and Dividends	July	24	24	23	10
Transfer Payments	July	16	16	14	10
(INCOME FROM AGRICULTURE)	July	16	16	15	3
POPULATION—m (e) (cb)	July	162.4	162.2	159.6	133.8
Non-Institutional, Age 14 & Over	July	116.2	116.2	115.1	101.8
Civilian Labor Force	July	65.5	65.4	64.7	55.6
Armed Forces	July	3.3	3.4	3.6	1.6
Unemployed	July	3.3	3.3	1.5	3.8
Employed	July	62.1	62.1	63.1	51.8
In Agriculture	July	7.5	7.6	7.8	8.0
Non-Farm	July	54.7	54.5	55.3	43.2
Weekly Hours	July	38.4	42.5	43.3	42.0
EMPLOYEES, Non-Farm—m (1b)	July	47.9	48.2	49.7	37.5
Government	July	6.5	6.6	6.4	4.8
Trade	July	10.4	10.4	10.4	7.9
Factory	July	12.3	12.5	13.9	11.7
Weekly Hours	July	39.4	39.6	40.3	40.4
Hourly Wage (\$)	July	1.80	1.81	1.77	77.3
Weekly Wage (\$)	July	70.92	71.68	71.33	21.33
PRICES—Wholesale (1b2)	Aug. 31	109.5	110.0	110.6	66.9
Retail (cd)	June	209.0	208.7	210.1	116.2
COST OF LIVING (1b2)	July	115.2	115.1	114.7	65.9
Food	July	114.6	113.8	113.8	64.9
Clothing	July	104.0	104.2	104.4	59.5
Rent	July	128.5	128.3	123.8	89.7
RETAIL TRADE—\$b**					
Retail Store Sales (cd)	June	14.4	14.0	14.4	4.7
Durable Goods	June	5.0	4.7	5.1	1.1
Non-Durable Goods	June	9.4	9.3	9.3	3.6
Dep't Store Sales (mrb)	June	0.85	0.82	0.87	0.34
Consumer Credit, End Mo. (rb)	June	27.8	27.5	27.4	9.0
MANUFACTURERS'					
New Orders—\$b (cd) Total**	July	22.6	22.9	24.5	14.6
Durable Goods	July	9.9	10.0	11.6	7.1
Non-Durable Goods	July	12.7	12.9	12.9	7.5
Shipments—\$b (cd)—Total**	July	24.2	24.2	25.1	8.3
Durable Goods	July	11.4	11.4	12.7	4.1
Non-Durable Goods	July	12.8	12.9	12.3	4.2
BUSINESS INVENTORIES, End. Mo.**					
Total—\$b (cd)	June	79.0	79.4	80.2	28.6
Manufacturers'	June	44.5	44.8	46.2	16.4
Wholesalers'	June	11.9	11.8	11.7	4.1
Retailers'	June	22.6	22.8	22.3	8.1
Dept. Store Stocks (mrb)	June	2.4	2.4	2.5	1.1
BUSINESS ACTIVITY—1—pc	Aug. 28	189.4	188.5	199.0	141.8
(M. W. S.)—1—np	Aug. 28	235.6	234.6	243.5	146.5

with higher prices for burlap, tallow, rubber and lead offsetting lower quotations for wool tops, coconut oil and tin. Despite these lower prices the general commodity level remains stable.

* * *

NEW CONSTRUCTION outlays in August climbed to a new high of \$3,605 million, up 3% from July and 8% ahead of August, 1953, according to a joint report by the Commerce and Labor Departments. Most of the increase from July to August resulted from expansion in private residential building, public utility construction and highway works. Outlays for most other types of construction showed only slight changes from July levels. The August volume lifted expenditures for new construction in the first eight months of 1954 to a new peak of \$23,739 million or 4% above the corresponding 1953 period. If building activity maintains its present pace, the total for 1954 will come to a record-breaking \$36.5 billion, which compares with \$35.3 billion in 1953, the previous record.

* * *

New orders for **MACHINE TOOLS** fell sharply in July and the index of such orders, compiled by the National Machine Tool Builders Association, declined to 123.9% of the 1945-1947 average from 185.2% the previous month. Industry officials were not dismayed by the contraction, explaining that it was in line with general vacation plant closings of tool makers and their customers. Indications are that August is showing improvement and that July will prove to have been the year's low point. Shipments of machine tools also were lower in July, falling to 204.7% of the base period while output at 360.7% remained far above shipments or incoming orders. At July production rates it would have taken 3.4 months to complete all orders on the books at the end of the month. This compares with 3.6 months in June and 7.4 months in July, 1953, at then-current rates of output.

* * *

EXPORTS from the United States dipped to \$1,291 million in July from the unusually high total of \$1,474 million the previous month, according to preliminary estimates by the Census Bureau. The July total was also down from the \$1,358 million aggregate of July, 1953. Overseas

and Trends

PRESENT POSITION AND OUTLOOK

shipments of grant-aid military supplies and equipment in July were \$90 million under June, contributing substantially to the drop in exports.

IMPORTS also were lower in July, amounting to \$832 million, a 12% decline from June levels and 8% under a year ago. The drop from the average for the first half of 1954 was smaller, however, amounting to 6%.

* * *

FREIGHT CAR builders suffered a further contraction in business during July, with seasonal factors partly to blame for the decline from June levels. Incoming orders were received for only 883 freight cars during the month, which compares with 1,139 cars ordered the previous month, the American Railway Car Institute and the Association of American Railroads reported in a joint announcement. Manufacturers delivered 1,801 new freight cars in July, a drop from the 2,650 cars shipped in June and the 6,370 cars delivered a year ago. With new orders lagging behind shipments, the backlog of unfilled orders was down to 12,889 cars on August 1 from 13,860 the previous month. A year ago manufacturers had orders for 47,423 cars on the books.

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)					
Mining	July	124	124	137	93
Durable Goods Mfr.	July	113	113	120	87
Non-Durable Goods Mfr.	July	136	135	157	88
	July	116	116	121	89
CARLOADINGS—t—Total					
Misc. Freight	Aug. 28	677	679	818	933
Mdse. L. C. L.	Aug. 28	339	338	396	379
Grain	Aug. 28	64	63	70	66
	Aug. 28	52	53	51	43
ELEC. POWER Output (Kw.H.) m					
	Aug. 28	9,227	9,207	8,540	3,266
SOFT COAL, Prod. (st) m					
Cumulative from Jan. 1	Aug. 28	7.4	7.6	9.7	10.8
Stocks, End Mo.	Aug. 28	241.0	225.8	297.2	44.6
	July	67.2	69.6	74.8	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Aug. 27	6.1	6.2	6.6	4.1
Gasoline Stocks	Aug. 27	154	155	141	86
Fuel Oil Stocks	Aug. 27	56	56	51	94
Heating Oil Stocks	Aug. 27	115	111	117	55
LUMBER, Prod.—(bd. ft.) m					
Stocks, End Mo. (bd. ft.) b	Aug. 28	178	160	261	632
	July	9.0	9.1	7.8	7.9
STEEL INGOT PROD. (st) m					
Cumulative from Jan. 1	July	6.6	7.4	9.3	7.0
	July	50.8	44.1	67.2	74.7
ENGINEERING CONSTRUCTION AWARDS—\$m (en)					
Cumulative from Jan. 1	Sept. 2	377	224	214	94
	Sept. 2	9,726	9,350	10,280	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Aug. 28	211	214	226	165
Cigarettes, Domestic Sales—b	June	35	31	33	17
Do., Cigars—m	June	533	480	510	543
Do., Manufactured Tobacco (lbs.)m	June	18	17	17	28

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9-100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. l—Seasonally adjusted index (1935-9-100). la—Seasonally adj. index (1947-9-100). lb—Labor Bureau. lb2—Labor Bureau (1947-9-100). lb3—Labor Bureau (1935-9-100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

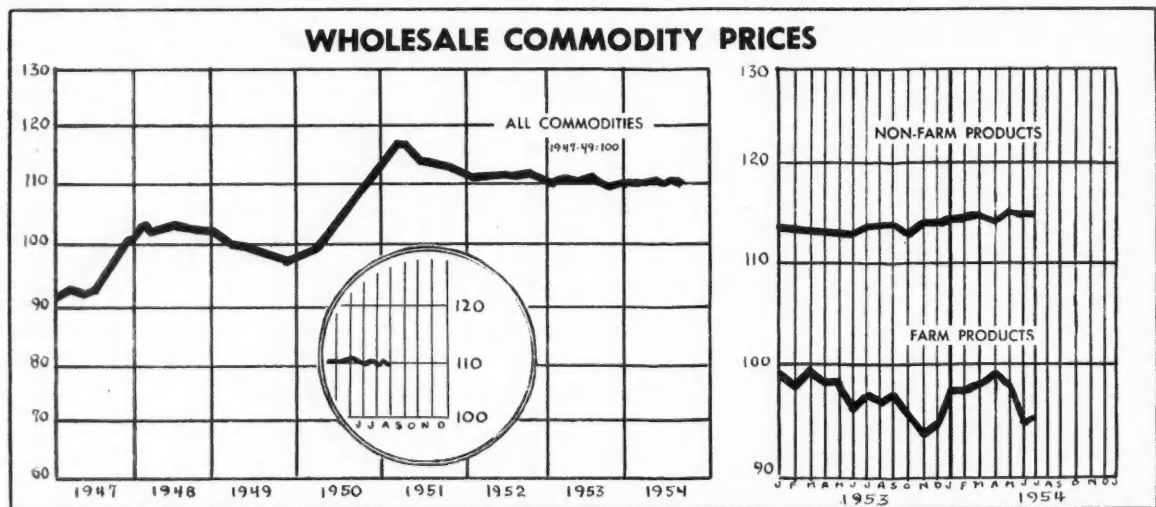
No. of	1953-'54 Range		1954		1954		1954	
Issues (1925 Cl.—100)	High	Low	Aug. 27	Sept. 3	(Nov. 14, 1936, Cl.—100)	High	Low	Aug. 27
100 HIGH PRICED STOCKS	157.9	114.4	154.8	153.8	100 LOW PRICED STOCKS	285.3	203.7	280.3
300 COMBINED AVERAGE	243.2	179.0	239.2	237.9				279.5
4 Agricultural Implements	263.3	179.0	223.8	222.0	4 Investment Trusts	129.7	93.1	125.8
10 Aircraft ('27 Cl.—100)	776.2	330.3	768.0	743.5	3 Liquor ('27 Cl.—100)	967.8	805.8	917.2
7 Airlines ('27 Cl.—100)	693.9	492.6	674.9	669.9	11 Machinery	285.5	181.0	279.3
7 Amusements	134.0	76.4	131.4	134.0A	3 Mail Order	153.0	101.0	149.8
10 Automobile Accessories	289.4	213.8	259.8	259.8	3 Meat Packing	101.7	78.7	97.7
10 Automobiles	49.4	38.4	41.2	40.8	10 Metals, Miscellaneous	289.4	198.4	283.4
3 Baking ('26 Cl.—100)	28.0	23.0	24.2	23.9	4 Paper	669.0	394.9	669.0
3 Business Machines	541.6	311.4	531.1	538.1	24 Petroleum	505.0	376.5	496.9
2 Bus Lines ('26 Cl.—100)	303.3	170.2	303.3	298.6	22 Public Utilities	229.4	173.8	229.4
6 Chemicals	446.9	337.9	439.5	435.8	8 Radio & TV ('27 Cl.—100)	36.9	27.6	34.5
3 Coal Mining	15.4	9.0	10.7	10.8	8 Railroad Equipment	64.1	49.1	60.9
4 Communications	85.2	58.6	81.7	82.9	20 Railroads	53.2	41.8	51.0
9 Construction	90.3	57.9	87.2	86.5	3 Realty	74.2	42.3	71.6
7 Containers	667.1	456.9	642.6	642.6	3 Shipbuilding	468.3	228.7	447.8
9 Copper & Brass	192.9	125.3	188.8	188.8	3 Soft Drinks	433.3	339.0	391.5
2 Dairy Products	129.1	82.3	124.9	126.0	11 Steel & Iron	172.8	122.8	168.9
5 Department Stores	73.2	54.6	70.4	69.3	3 Sugar	59.8	45.9	51.9
5 Drug & Toilet Articles	294.4	203.8	289.6	287.3	2 Sulphur	714.7	525.6	687.9
2 Finance Companies	538.4	341.8	534.4	522.4	5 Textiles	162.2	101.3	120.5
2 Food Brands	240.4	113.0	236.6	240.4	3 Tires & Rubber	115.6	70.4	110.5
2 Food Stores	151.6	113.0	150.3	144.9	5 Tobacco	105.2	73.5	79.4
3 Furnishings	79.2	59.6	65.5	63.0	2 Variety Stores	319.5	274.4	280.1
4 Gold Mining	760.0	502.3	632.9	663.0	16 Unclassified ('49 Cl.—100)	130.1	97.0	129.1

A—New High for 1953-1954.

Trend of Commodities

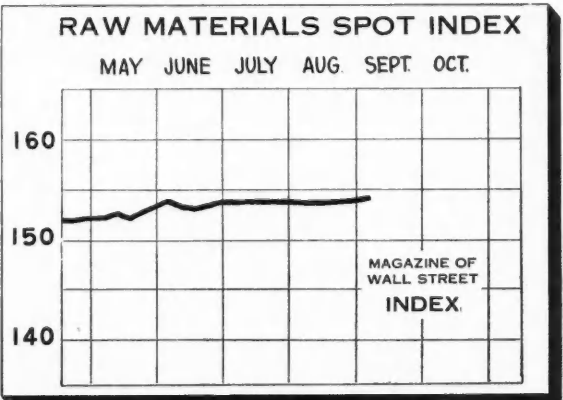
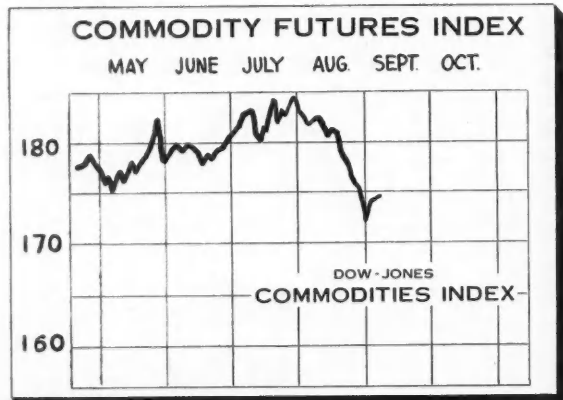
Most commodity futures showed improvement in the two weeks ending September 7 but cocoa and coffee were lower again and this accounted for the decline of 0.86 points in the Dow-Jones Commodity Futures Index. May wheat gained 6½ cents during the period to close at 220¼. Unfavorable Canadian crop reports and wide use of the loan program by American producers contributed to the price rise. With farmers getting ready to plant the 1955 winter wheat crop, an announcement is expected soon regarding the price support program for next year. Under the new law, this support in 1955 can be set anywhere between 82½% and 90% of parity, depending on supply conditions. May corn was up 4 cents in the two weeks ending September 7 to close at 162. The Government has reported that much early corn was damaged by the drought and some observers expect that the loan on next year's crop will be set at 90% of parity, in view

of the cut in corn supplies. The Commodity Credit Corporation is still busily liquidating its holdings of corn from the 1948 and 1949 crops and these should be depleted in the near future. Cotton futures advanced moderately in the fortnight ending September 7 and the October option gained 17 points to close at 34.27. Private reports stress the amount of damage that the crop has suffered and this has encouraged buyers. A small crop this year will fall short of expected consumption and this would mean that prices would have to rise sufficiently to induce farmers to withdraw cotton from the loan and sell it in the open market. The long decline in hide prices continued in the latest period and the January option lost 70 points to close at 13.55, 390 points below the high for the season. The heavy cattle slaughter so far this year has been the prime reason for the price weakness. However, shoe sales are outrunning production and this should bolster demand.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

	Date	2 Wks.	3 Mos.	1 Yr.	Dec. 6		Date	2 Wks.	3 Mos.	1 Yr.	Dec. 6
22 Commodity Index	Sept. 3	Agg	Agg	Agg	1941	5 Metals	Sept. 3	Agg	Agg	Agg	1941
9 Foodstuffs	90.8	91.5	93.3	90.1	53.0	4 Textiles	95.9	95.4	96.7	92.3	54.6
3 Raw Industrial	97.6	99.8	101.4	96.1	46.1	4 Fats & Oils	87.8	88.1	88.0	89.0	56.3
	86.3	86.0	88.0	86.0	58.3		71.3	69.7	73.9	69.5	55.6



14 Raw Materials, 1923-25 Average equals 100

	Aug. 26, 1939—63.0	Dec. 6, 1941—85.0							
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6	
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6	

Average 1924-26 equals 100

	1953-54	1952	1951	1945	1941	1939	1938	1937
High	183.7	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Burroughs Corporation

"I own 100 shares of Burroughs Corporation stock. I would appreciate your advice as to retention or sale. What new products has the company introduced recently and what are the prospects for Burroughs over the medium term?"

A. M., Dayton, Ohio

Earnings of Burroughs Corporation for the six months ended June 30, 1954, from the company's operations in the U. S. and Canada, and including dividends received from subsidiaries operating in other countries, amounted to \$3,651,173 or 73¢ per share, compared with \$3,793,241 or 76¢ per share earned during the same period in 1953.

Total revenue from all world-wide operations for the half-year was \$86,064,737 compared with \$77,220,676 reported for the first half of 1953.

Combined net income from Burroughs operations throughout the world for the first six months, after taxes, was \$4,667,720, compared with \$4,667,720 reported for the first half of 1953.

The increase in revenue during the first six months of this year reflects a larger volume of defense business and also increases in the revenue of subsidiaries operating outside the U. S. and Canada.

The fact that earnings did not keep pace with the rise in revenue is to a large extent accounted for by increased expenditures for research, engineering, new product

planning, and continued expansion of the marketing organization. These costs were 39% higher than in the same period in 1953.

So far in 1954, the corporation has introduced these five new products — the Micro-Twin, the E101 Electric Computer, the Series G High Speed Printing and Accounting Machine, the Ten Key Adding Machine, and the new Director line of full keyboard adding machines.

The current quarterly dividend is 25¢ per share.

This leading manufacturer of office machines has diversified its business and developed new products in recent years, including electronic devices. Medium-term prospects appear favorable and therefore, we recommend retention.

Archer-Daniels-Midland Company

Please submit analytical report of recent operations of Archer-Daniels-Midland.

W. J. Spencerville, Ohio

Archer-Daniels-Midland Company reported net profits of \$5,013,390, or \$3.05 per share for the fiscal year ended June 30th, 1954. This represents an increase of approximately 30% over the previous fiscal years earnings of \$3,853,319, or \$2.34 per share.

Although earnings were considerably improved, the dollar volume of sales, excluding grain transactions, declined from \$219,-

696,649 to \$207,731,719, approximately 5%. The increased earnings were due, in large degree, to the company's long range program of diversification and a general tightening of company operations. These offset a decline in the consumption of linsed oil and continuing high government support prices for flaxseed and soybeans.

During 1953 net additions to plants were \$3,001,359 bringing the ten year total to \$46,065,018. Working capital increased from \$22,105,697 to \$49,313,130 in the same ten-year period.

Net worth was reported as \$89,590,709, equal to \$54.47 per share. The company started its new fiscal year with no bank debts, bonds, notes or preferred stock outstanding.

While the company traditionally has been regarded as a linseed oil company, the processing of flaxseed is no longer a major source of income. The Grain and Flour Milling divisions were responsible for a substantial portion of the year's earnings.

One of the highlights of the past year was the acquisition of the Resin Division of U. S. Industrial Chemicals Company which gave ADM a complete line of alkyd resins and an entry into other fields, including the fast-growing polyester resin industry.

Significant accomplishments of the past year included a vinyl plasticizer which has excellent low temperature properties, and a series of chemical products from fatty acids and fatty alcohols. Other developments were an efficient low-cost antifoam agent for the plywood industry, a non-yellowing resin for blonde furniture finishes, and a fungicide for exterior paints, which is being market tested.

During the past year four 50¢ dividends, or 66% of earnings, were paid to stockholders.

Prospects for the company over coming months continues favorable. Diversification of operations warrant retention of the stock.

New Industrial Dynamism Through Research

(Continued from page 735)

this growth and insuring future progress. Its research work covers many fields. Research activity extends into all phases of the atomic field, radioactivity, improving metals and alloys to meet today's demands, including metal for improved jet engines, and through its chemical division which has already developed a rapidly growing business in silicones it continues the study of silicones looking to developing new application of these materials. General Electric places so much value on research that in 1953, for the purpose of expediting development projects, it expanded its laboratory facilities by starting construction of or approving building of five new laboratories. General Electric appropriations for research activity during 1953 is estimated at approximately \$62 million. This figure may be under the actual amount spent, being based on 2 per cent of that year's dollar sales whereas the average in the industry is at least 3 per cent.

Westinghouse Electric Corp., for instance, is said to be devoting about 5.5 per cent of sales revenue to research. On the basis of 1953 dollar sales research appropriations were roughly \$86 million. Like General Electric, Westinghouse, looking ahead five to ten years, is also expanding research facilities. By 1955 it will have its new central Research Laboratories, the most modern research facility in the electrical manufacturing industry, in operation. Its over-all activity in research covers many fields, including electronics, turbines, special alloys and the newer metals, especially titanium and zirconium.

Westinghouse is already deep in atomic studies. It built the atomic power plant for the U.S.S. Nautilus, constructed by General Dynamics and has been commissioned by the AEC to develop a completely civilian version of a power reactor to produce a minimum of 60,000 kilowatts of electricity and will be made a part of five facilities in the city of Pittsburgh.

Radio Corporation of America, of course, is one of the leading companies active in electronics research. It only recently put into

use one of the world's foremost centers of radio and electronic research laboratories. RCA doesn't state how much it is spending each year for research. Expenditures last year in this field probably ran close to \$25 million, maybe more, considering the company regards scientific research and engineering fundamental to its progress and has intensified research activities.

Other leading companies carrying on electronic research work are Minneapolis-Honeywell Regulator Co., and International Business Machines Corp. The latter spent \$11.7 million in 1953 for development and engineering and will probably increase this amount by 1955 when its new and additional Poughkeepsie research laboratory is ready to go into operation. Minneapolis-Honeywell doesn't say how much it spent last year on research. There is probably no company, however, that puts more emphasis on research than Honeywell, inasmuch as it acknowledges that the position it holds today in electronics and as a manufacturer of industrial controls and related products is founded upon its continuous research and engineering work.

Research Leading to Many Products

In many other fields, developments through research are spurring companies to still greater activity, expanding research facilities and looking still farther into the future in anticipation of the bringing forth by other manufacturers products requiring materials yet to be created. This is particularly applicable to the chemical and related industries such as petrochemicals, synthetic fibers, glass fibers, plastics and synthetic rubber, as well as such products as fertilizers, synthetic detergents and pharmaceuticals.

To enumerate the companies carrying on extensive research in these fields would require listing all of the great chemical manufacturers, the great oil producing and refining companies and many others, including the leading tire and rubber manufacturers. But a partial list would take in Dow Chemical, duPont, Monsanto Chemical, Eastman Kodak, Union Carbide & Carbon, American Cyanamid, B. F. Goodrich, U. S. Rubber, and Goodyear. Leaders in research in petrochemicals include Gulf Oil, Standard of N. J., Texas Co., Phillips Petroleum,

Shell Oil. From the standpoint of research developing improved and extending the use of glass fibers, the leaders are Libbey-Owens-Ford Glass, Owens-Corning Fibreglas, Pittsburgh Plate Glass and the Ferro Corp.

Jet engines, atomic power plants, and planes that fly at super-sonic speeds are creating the need for new metals. Leading companies researching in these fields, aside from GE and Westinghouse, are Allegheny Ludlum Steel, Eagle Picher, National Lead, Union Carbide & Carbon, duPont de Nemours, Fansteel Metallurgical, and Kennecott Copper.

The Potentials From Atomic Research

Research on a broadening scale in the atomic field is also engaging the attention of a number of companies. Up to the present time, stress has been laid upon the use of atomic power for the production on a commercial scale of electric energy and the employment of nuclear power for passenger and cargo ships. These would prove important developments, but it is believed atomic development will have a substantial impact on industrial operations in many ways. It is this outlook that lead Republic Steel Corp., some months ago to take the initial steps in setting up a nuclear research program to study not only the possibilities of using atomic energy in steel making but to study other phases of nuclear energy development. Atomics offer a broad field for many other industries. Isotopic research for the drug industry is but one phase. The high temperature and radioactive nature of nuclear fission have already stimulated research and development of many heretofore little known metals. At the same time it is recognized that atomic elements may play an important role in the output of the chemical, paper, food, lumber and other industries.

Without doubt, atomics is a vast field which may prove even broader than today's advanced thinking realizes. Developments also are likely to be more rapid than was thought possible only a year or two ago, a fact which is stirring a number of companies to greater research activity. Among today's leaders in this respect, in addition to Republic Steel, are General Electric and

(Please turn to page 770)

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Gulf's cleaner-burning, super-refined gasoline solves today's No. 1 engine problem!



Laboratory tests promised...

... these *immediate* and *lasting* benefits from this new, super-refined fuel:

More complete engine protection than from the so-called "miracle-additive" gasolines. Why? Because Gulf refines *out* the "dirty-burning tail-end" of gasoline (the No. 1 troublemaker in high-compression engines)—and then treats this new Super-Refined NO-NOX to give it a *complete range of protective properties*. It protects *every* part it touches against carbon, rust, gum.

Extra gas mileage in all your everyday, short-trip, stop-and-go driving.

No knock, no pre-ignition. Why? Because the anti-knock power of new Gulf NO-NOX has been stepped up to an all-time high.

Stall-proof smoothness. Instant *starts*, too—and fast, fuel-saving warm-up.

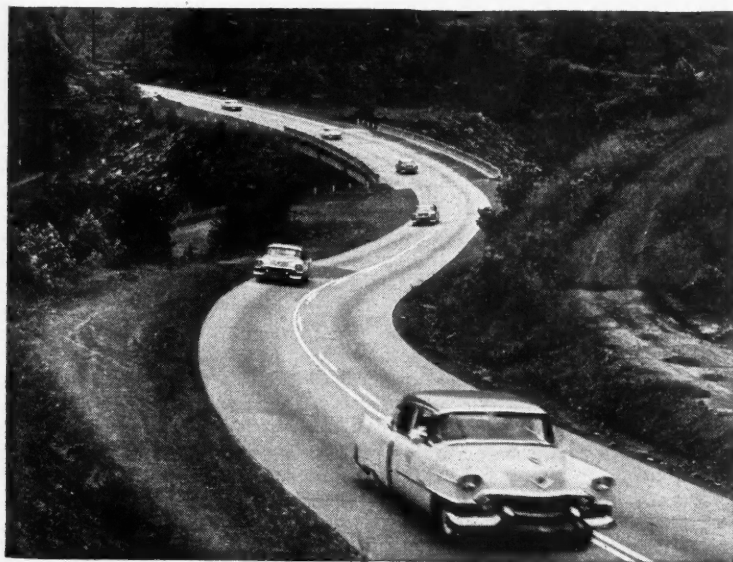
That's why new Super-Refined Gulf NO-NOX gives your engine more power-with-protection than you've ever known.

Road tests proved...

These cars, powered by New Gulf No-Nox, actually performed better than new... after 15,000 miles!

True! After 15,000 miles per car—covering all conditions of city and country driving—Gulf test cars showed these results:

- Higher-than-new horsepower!
- Better-than-new on gasoline mileage!
- And not a single trace of carbon knock or pre-ignition at any time—even on the steepest mountain grades!



COMPLETELY NEW! SUPER-REFINED

New Gulf No-Nox

THE HIGH-EFFICIENCY GASOLINE



New Industrial Dynamism Through Research

(Continued from page 768)

Westinghouse, which have already been mentioned, Dow Chemical, duPont de Nemours, Union Carbide & Chemical, Vanadium Corp., General Dynamics, and North American Aviation.

At best, what has been written here on research and its meaning in growth potentials for industry and the nation's economic structure, is of necessity but a cursory treatment of a subject of such huge proportions. Although we are in an era of new industrial dynamism, it should be understood that industrial growth through research has not been uniform throughout all industries and by all companies in those industries. As we have already said, the investor seeking a medium in the form of corporation equity for long-range investment funds should look closely at stocks he may now own in order to satisfy himself that by their retention in his investment portfolio he is not foregoing the greater opportunities that more dynamic growth issues now offer him. —END

Our Vulnerability in Critical Materials

(Continued from page 738)

craft, and it has extensive industrial applications as a substitute where other metals were traditionally used. Much of the high tension transmission line of today is made from this metal, while the transportation industry has found its substitution for steel and iron highly satisfactory, making for lighter and stronger equipment. Bauxite, from which most aluminum is extracted, is plentiful in the Western Hemisphere, but here we run into the problem of protection from submarine attack in the event of war. It is a fact, however, that we have considerable bauxite deposits in this country. Although of a lower grade than found in other Western Hemisphere areas, continuing research is enabling us to use our own bauxite at less and less cost for extraction of the pure alumina.

From the light weight alum-

inum to the even lighter magnesium would seem to be a logical step at this point. We seem to be entirely self-sufficient in this so-called wonder metal at this time, and are not confronted with protection of supply lines over the oceans in time of war. Production in 1953 was 93,000 tons against average annual consumption of 50,000 tons. As far as we know, the United States and Canada are the only two countries with magnesium production facilities, and we now have an annual production capacity of 123,000 tons. Backed by an abundance of raw materials (sea water) for the extraction of magnesium, we are in position for an ever-widening program of substituting it for other more scarce metals.

To this point, the writer has discussed the better-known minerals, those most in the public eye. There are many others important in peace and in war; some of them perhaps worthy of greater treatment, impossible in an article of this length. It is possible, however, to report briefly on the minerals exploration program of the Defense Minerals Exploration Administration. As of Dec. 31, DMEA had 323 contracts in force in 22 States and Alaska with a total value \$22.5 million, Government participation being \$12.8 million. Included in this program are Antimony, Asbestos, Beryl, Cobalt, Columbium, Copper, Flourspar, Iron, Lead, Manganese, Mercury, Mica, Monazite, Nickel, Platinum, Sulphur, Tantalum Thorium, Tin, Tungsten, Uranium and Zinc. Not included are Diamonds for industrial use; however, progress is being made in research on substitutes and further development of other grinding and drilling methods.

Our positions with respect to lead and zinc are not what we would like them to be; domestic consumption of the former exceeds domestic production, but imports from Canada and Mexico, are not subject to ocean hazards in time of war. Zinc, much of which we import from overseas, is relatively inexpensive and is a metal we should include in the current authorized \$2.1 billion stockpiling program.

Fuels—coal, natural gas and petroleum—are perhaps our most abundant natural resources of prime importance to industry and to our war machine. Coal reserves have been estimated to be sufficient for the next 2500 to 3000

years, while known commercial reserves of natural gas and oil have been estimated as sufficient for a minimum of 30 years. It will be noted that the writer italicizes, and for a reason. Up to three years ago, we had drawn from the Earth's crust of this country slightly less than a cubic mile of crude oil. Surely search and exploration will find many more cubic miles of "black gold," and such exploration will locate many trillions of feet of natural gas.

There can be no doubt that a war in the very near future would find us lacking in many essential raw materials. This is why Government and industry, through exploration and research, must search for new sources of raw materials in this Hemisphere and develop synthetic or satisfactory substitutes for those we fail to find. In the meanwhile, it will be necessary that we stockpile those raw materials that we are compelled to import from overseas, and for which we may never find substitutes.

Discovery of high grade iron ores in Labrador, coupled with development of the St. Lawrence Seaway, has been a stroke of good fortune for our steel industry as the great Mesabi ridge of Minnesota shows signs of exhaustion.

In the field of synthetics, we have done a wonderful job with rubber. It is quite true that synthetic rubber is not as satisfactory as the genuine article, but we have the plants necessary to our needs in the event of war. And too, natural rubber can be stockpiled without serious deterioration. We have had notable success in the development of synthetic textiles, all of them made from raw materials in abundant supply within our own borders. Also, we have met with considerable success in the development of synthetic as substitutes in the field of drugs. Perhaps most outstanding has been atabrine, a satisfactory substitute for quinine—a specific for dread malaria fever—available only from the bark of the cinchona tree, native to Peru. Perhaps the near future will bring the announcement of a synthetic coffee, as flavorful as the real, and less costly. This would be a windfall for the American home, but disastrous to the economies of some of our good neighbors to the the South, thus raising a grave question of foreign policy. —END

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STREET



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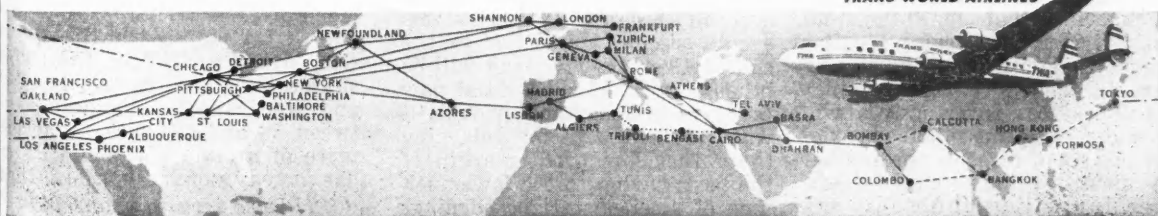
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The Battle for Control of Montgomery Ward

(Continued from page 739)

and it is understood that at least one large institutional investor has liquidated three fourths of its holdings.

There are 6,502,738 shares of Montgomery Ward stock outstanding and Messrs. Wolfson and associates have started a drive to acquire enough stock to oust the present management. In ordinary parlance, this will "take some doing". The contenders reputedly have acquired 105,000 shares. This is, indeed a lot of stock but comparatively small potatoes considering what must still be acquired to accomplish the purpose desired.

Due to a peculiar legal wrinkle, Ward's directors are elected three at a time for a three years' stretch. The next meeting at which directors can be elected is in April, 1955. So between now and next April the Wolfson associates have to get busy and find themselves a mountain of stock, if they expect to elect their three directors. If they should pass this hurdle, they still have to face more proxy fights in succeeding years, as directors come up for election.

Aside from future proxy battles, stockholders in the company are also interested in the history of the newcomers who have come to wrest control of their company from the incumbent. There is no reason to doubt that Mr. Wolfson and his associates have been remarkably successful in their other undertakings in parlaying very small beginnings into what is now reputed to be a "\$200-million empire." This has seen these energetic businessmen gain control over a heterogeneous collection of companies. They include Capitol Transit Co. of Washington, D. C., a municipal transportation system; Merritt-Chapman & Scott, a construction company; N. Y. Shipbuilding, maritime construction; and Devoe & Reynolds, paints. This has offered a variety of experience but is still far from satisfying the particular requirements that executives must possess in the enormously complex retail business. Investors who will consider marking their proxies for one set of directors or another in next Spring's stockholders' meeting will undoubtedly ask

themselves the question whether new control might not involve substituting an experienced group of retailers for a group of men who still have to learn the ropes. This may seem a risk some stockholders would not care to take though they would frankly acknowledge the advantage of getting new blood into the company's top executive echelon.

After all, they may argue, while they might do better by getting themselves a new management, they could also do worse, perhaps much worse, than by hanging on to the old one. This might be the decisive argument when the chips are down next April. In the meantime, like in other proxy fights, speculators who want to take a hand, without having a clear idea of the basic factors involved take a chance of getting hurt. —END

1954 Stock Laggards

(Continued from page 744)

take time for this potentiality to develop, the stock's attraction is necessarily that of a long-range character. At current prices of around 36, the yield is 5.5% on the \$2 annual dividend.

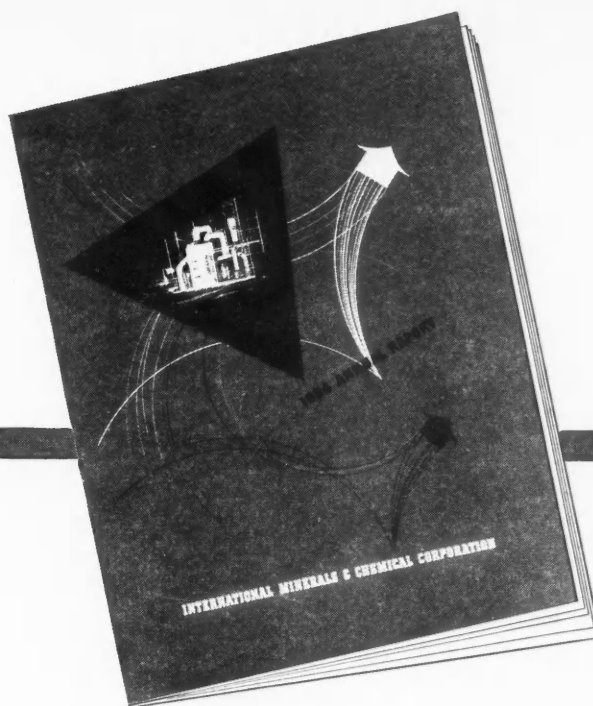
JONES & LAUGHLIN STEEL CORP. Of all the major steel stocks, Jones & Laughlin has performed the poorest for the past few years. Rising moderately during the early summer rally in the steels, this is the first time that the stock has been able to get out of the doldrums. In contrast, the other leading steel stocks, at their recent highs, were well above their post-war average levels. However, there are reasons to believe the stock will do better over the long pull. The major problem affecting J. & L., that of getting its modernization program completed, has now been solved and the company is now in a position to reap the benefits of more efficient and economic operations. Compared with other steel manufacturers, the company, started its post-war expansion program on a rather moderate scale. However, in 1951 and 1952, this was greatly stepped up so that by the end of 1954, the company will be in possession of substantial new facilities, which should provide it with a sound base for enlarging the rather low profit margin of the past. Owing to the lower volume of steel operations earnings

of J. & L. this year will be lower. They would have been even lower but for the change in accounting practice whereby the company did not charge off the entire amount of accelerated amortization. The position, therefore, so far as immediate earnings prospects are concerned, is not especially conducive to new investment in the stock at this time. However, from the longer-range standpoint, the stock seems to possess merit and might be purchased on a sliding scale. Dividend coverage is somewhat narrow but the company has a strong financial position, as indicated in last year's reduction of \$24.2 million in long-term debt and bank loans out of cash. At the current price of about 24, it yields 8.3%.

NOPCO CHEMICAL CO. This is one of the lesser industrial chemical companies but, except for 1952, has had a good post-war earnings record, ranging from \$5.18 a share in 1950 to \$1.67 a share in 1952. Moderate increases have been shown since and, based on the improved 1st half 1954 statement, should earn from \$2.25 to \$2.50 a share this year. The stock has moved in a comparatively narrow range and is well below the high of 36 $\frac{1}{4}$ (adjusted for 2-for-1 stock split) in 1946. Dividends have been paid without interruption since 1934 and in 1953 were \$1.35 a share including an extra of 15 cents a share. The regular rate is 30 cents quarterly. Aside from its basic industrial chemical operations, the company has made some significant progress in the field of synthetic organic chemicals, notably vitamins and hormones. It also has entered the field of plastics through a license from Lockheed Aircraft Corp. Under this license, the company manufactures "Lockfoam," a plastic for use in aircraft and soundproofing, as well as for other industrial purposes. The stock has rather interesting long-term possibilities. While not in the investment class, it is suitable as a "businessman's risk." At current prices of about 23, the yield is 5.8% on the indicated dividend of \$1.35 a share.

CHAS. PFIZER & CO. This stock sold as high as 42 $\frac{1}{4}$ in 1952 and since has been ranging between 38 and 26, with a current price of around 35. While Pfizer has acted more favorably than

(Please turn to page 774)



INTERNATIONAL MINERALS & CHEMICAL CORPORATION

FINANCIAL HIGHLIGHTS

	1954 Year Ended June 30	1953 Year Ended June 30
Net Sales	\$93,591,934	\$88,837,456
Earnings Before Income Taxes	\$7,113,979	\$9,880,176
Income Taxes	\$1,070,000	\$2,850,000
Net Earnings for the Year	\$6,043,979	\$7,030,176
Percent Net Earnings to Sales	6.46%	7.91%
Earnings Per Share of Common Stock Outstanding June 30	\$2.44	\$2.87
Percent of Net Earnings Distributed as Dividends	67.81%	57.66%
Earnings Retained in the Business	\$1,945,757	\$2,976,345
Common Stockholders' Equity	\$69,600,891	\$67,638,349
Equity per Share of Common Stock	\$30.04	\$29.20
Working Capital at End of Year	\$31,191,183	\$35,438,362
Ratio of Current Assets to Current Liabilities	6.4 to 1	5.8 to 1
Expenditures for Capital Additions	\$10,745,566	\$19,567,779
Annual Depreciation, Depletion and Amortization	\$4,926,752	\$3,900,997
Long-Term Debt		
3.65% Subordinated Debentures	\$20,000,000	\$20,000,000
3¼% Term Loan	\$10,050,000	\$10,700,000
2¾% Purchase Money Mortgage	\$500,000	\$625,000
Total Net Worth	\$79,433,891	\$77,471,349
Number of Stockholders	11,554	10,779



1954 ANNUAL REPORT

A copy of the 1954 Annual Report may be obtained upon request to the General Offices: 20 North Wacker Drive, Chicago 6, or to the Corporate Office: 61 Broadway, New York 6.

1954 Stock Laggards

(Continued from page 772)

some of the other ethical drug stocks, it cannot be said to have given full recognition to the special position which this company occupies in its industry. The company has made particular progress in the newer areas of antibiotic research and development and its recently developed "broad-spectrum" antibiotic Tetracycline is considered to have important potentialities from a sales standpoint. The company has not only been aggressive in developing many new products but in laying down a farflung sales program. Pfizer distinguished itself, contrary to other drug manufacturers, by increasing its earnings to \$2.74 a share from the previous year's \$2.17 a share. This year, it should at least match 1953's record. The stock is an excellent holding for long-range investment purposes but would not be suitable for investors requiring a good return on their investment at the present time. The yield is

now only 3.7% at current prices of around 34, on the annual dividend of \$1.25 a share.

WHEELING STEEL. One of the stronger independent steels, this company, owing to the extreme leverage which its capitalization imparts to the common, is able to come up with fantastically high earnings on a per share basis. Thus, in 1948, it earned \$23.24 a share, and in 1950-52 averaged about \$11 a share. Last year, it earned \$7.49 a share, and in the first half of 1954—a slack period for the industry—it showed up with the relatively good figure of \$2.45 a share. Although the stock is approximately 10 points higher than at the low of last year, it is selling about 20 points under the high of 1946 and, in fact, since 1949, it has not approached that level. Plant condition has been extremely well maintained and successive large expenditures for new facilities have continued throughout the post-war period. As a result, the company finds itself well integrated with respect to requirements of coke, pig iron and melt-

ing scrap for its manufacturing facilities. The company now has a capacity of 2,130,000 net tons of open hearth and bessemer steel ingots, fully providing for even a large expansion in sales. Present ease in the industry seem to have been more or less fully discounted in the price of the shares around 40. As a long-term semi-speculative investment, the stock possesses considerable attraction. At current prices, the yield is 7.3% on the annual \$3 dividend.

—END

Key to Strength in Aircrafts

(Continued from page 748)

BELL AIRCRAFT has specialized in development of the helicopter and earnings have climbed steadily as this special type of aircraft has gained in popularity. Net profit this year may range upward of \$4.50 a share, compared with \$3.92 in 1953.

BOEING AIRPLANE is the largest producer of heavy bombers, and as such the company is the principal source of planes that probably would be required in an atomic war. Shipments have expanded rapidly in the last few years and are expected to approximate \$950 million this year, or almost double the 1943 peak. Earnings may reach \$9 a share this year, against \$6.25 in 1953, and a higher projection for 1955 would appear a reasonable hope. Hence, in the light of possible dividend increases market appraisals of seven times share earnings does not seem too far out of line.

DOUGLAS AIRCRAFT, largest factor in commercial production, is expected to have shipments this year closely approaching Boeing's volume. Earnings may rise to \$15 a share or more, compared with \$7.73 in 1953. Such a showing would hold out hope of action leading to higher dividends. Consideration of another stock split would seem to have some logical basis.

LOCKHEED AIRCRAFT is regarded as the leading producer of jet fighters. As a result of development of new models, output this year may be reduced, but the outlook is promising for next year. Prospects for commercial contracts are encouraging. De-

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spite the possibility of a drop in sales volume as some military contracts are phased out, earnings seem likely to rise to \$7.50 a share or better, compared with \$5.79 in 1953. Dividends could be further liberalized.

NORTH AMERICAN AVIATION is another important manufacturer of Air Force fighters. The Super Sabre F-100 is counted upon to become the principal jet fighter of the Air Force. Large orders are believed to have been placed which would call for steady output for several years. Earnings may spurt this year to \$5 a share or more, against \$3.72 in 1953 on a moderate increase in shipments. Higher dividends appear assured, and this fact has been reflected in a steep advance.

REPUBLIC AVIATION is experiencing a big year in accelerating deliveries of the F-84F fighter bomber. Production is being concentrated on the Thundersteak, thereby contributing to operating economies. Gradual curtailment in output on this model is anticipated. Earnings this year may soar to \$9.50 or \$10 a share, against \$6.83 a share last year, suggesting the possibility of liberal dividends.

UNITED AIRCRAFT, largest manufacturer of aircraft engines, appears assured of a vital spot in the nation's aircraft program. The decision to separate the airframe business in the Chance Vought division through formation of a new company is regarded as a constructive step. The separation of the volatile air frame business presumably has strengthened investment characteristics of the parent company. Earnings this year are expected to compare favorably with last year's \$6.22 a share and dividends should continue at the indicated \$3 annual rate or even rise further.

Although investment aspects have been stressed in this discussion, this commentary would be incomplete without reference to the speculative fever which has embraced the aircraft group this year and boosted many representative stocks to historically high levels. The temptation to accept trading profits may become stronger as the market as a whole shows indications of hesitating in its protracted rise. This fact must be taken into account in endeavoring to gauge underlying values on a short-term basis. —END



Safeway Stores, Incorporated

World's Second Largest Retail Food Concern

MID-YEAR EARNINGS UP

NET SALES GAIN 4.4%

Net sales for the 24 weeks ended June 19, 1954 reached a new all-time high of \$821,863,404. This was 4.4% higher than net sales of \$787,578,737 in the same 1953 period.

NET PROFITS CLIMB

The Company's net profits for the first 24 weeks of 1954, after all income taxes were \$6,615,971. This was an increase of \$423,039 over a net profit of \$6,192,932 for the same 24 weeks last year. Included in the 1953 net profit figures is a return of \$212,885 excess profits taxes.

DIVIDENDS AND EARNINGS

The June 1954 quarterly dividend of 60¢ was the 111th consecutive dividend paid shareholders of Safeway's \$5.00 par value common stock. After deducting preferred stock dividends of \$680,661, earnings for the 1954 period amounted to \$1.76 per share of common stock on 3,369,521 shares, average number out-

standing during the period. This compares with earnings in the same 24 weeks of 1953 of \$1.76 from operations, plus 7¢ from excess profits taxes recovery relating to prior years, or a total of \$1.83 per share of common stock on 2,874,651 shares, average number then outstanding. Average number of common shares outstanding in 1954 has increased by 494,870 shares over the average number in 1953.

ASSETS AND LIABILITIES

of Safeway Stores, Incorporated and all subsidiaries

	June 19, 1954	June 13, 1953
Total Net Assets	\$165,847,270	\$133,623,379
Total Current Assets	246,826,572*	235,456,511
Total Current Liabilities	132,778,901*	148,816,346
Book value per share of Common Stock	31.73	29.71

*Rate of current assets to current liabilities as of June 19, 1954 was 1.86 to 1.

Safeway Stores, INCORPORATED

Profit Outlook For Oils

(Continued from page 751)

to the bone by ship owners due to a considerable excess of load capacity. These savings have more than helped balance out some weakness in foreign crude prices.

In this country it has been demonstrated that there is already more than ample capacity to take care of refined product demand over the near term.

The petroleum companies, therefore, are devoting greater attention to increasing the efficiency of their facilities. They are spending funds for modernization and improvement of facilities which will result in lower costs of production and a better quality finished product.

Emphasis is also being placed on reducing costs of distribution and on improvement of marketing to widen facilities since ultimate sales results rest on the ability of each company to reach consumers.

Atlantic Refining, for example,

plans continued heavy capital expenditures aimed principally at improving producing, transportation and marketing departments.

Sinclair is an exception, having already spent a considerable sum for expansion of refinery and transportation over the past five years.

The high rate of capital expenditures maintained by the industry is one of the reasons that the pay-out of earnings as cash dividends remains not far above the 50 per cent mark. The companies must retain a large proportion of earnings to meet plant and equipment and exploration requirements.

Capital Expenditures

A group of 35 companies surveyed by the Chase National Bank had net income of \$2,258 million last year compared with Capital expenditures of \$3,378 million by the same group. The total cash generated in the business, including depreciation, depletion and write-offs of dry wells amounted to \$4,379 million to which was added funds from sales (Please turn to page 776)

MULLINS MANUFACTURING CORPORATION

Common
Stock
Dividend



August
31, 1954

The Board of Directors today declared a quarterly dividend of 40¢ per share on the outstanding capital stock of this company, payable October 1, 1954 to stockholders of record at the close of business, September 15, 1954.

H. M. HECKATHORN
President

DIVIDEND NUMBER 41

Interlake Iron Corporation has declared a dividend of 30 cents per share on its common stock payable September 30, 1954, to stockholders of record at the close of business September 15, 1954.



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CORPORATION**
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The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock of the Company, payable on September 30, 1954, to stockholders of record at the close of business on September 14, 1954. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

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In The Next Issue

WHERE ARE 1954'S BIG MOVERS HEADED NOW?

—Reappraising Outlook for
Stocks Which Scored
The Greatest Gains This Year

Profit Outlook for Oils

(Continued from page 775)

of new securities and from sale of assets to bring the total cash available up to \$5,111 million.

These funds were utilized as follows: 68 per cent for capital expenditures, 20 per cent for dividends and 6 per cent for retirement of debt and stock. The remaining 6 per cent was added to working capital.

A good proportion of these expenditures are being made in the petrochemical industry to give the oil companies a stake in the steadily expanding chemical industry.

It has been estimated that well over \$500 million is tied up in planned petrochemical plant expansion.

Hopes of the oil companies are linked to two avenues of expansion. They see petrochemical output gaining at a rapid rate in common with the rest of the chemical industry but even more significant is the fact that the petrochemical companies might end up a larger share of the larger market.

One source indicates that by 1955, the annual value of petrochemicals produced in this country should rise to \$4 billion.

By 1965, according to the study, the petrochemical industry will be supplying 50 per cent of the total U. S. chemical needs as compared with a little less than 25 per cent today.

Although petrochemical output is growing rapidly, hopes for near term prospects of the petroleum companies must necessarily be based on oil.

Phillips, for example, is a major petrochemical company as is Jersey Standard but both are still principally under the influence of oil market results. Accepting the estimate of \$4 billion for the value of next year's capital investment by both petroleum and chemical companies in petrochemical facilities, the scope should be compared with the total assets of Jersey Standard which alone exceed \$5 billion. Socony and Standard Oil of Indiana each have assets carried with a book value of more than \$2 billion and a host of other companies like Texas, Gulf and California Standard are valued at more than \$1½ billion.

—END

Is Paper Industry at Crest?

(Continued from page 755)

that of the first quarter, indicating that the increase over 1953 is the result of gains achieved earlier in the year. However, new orders amounting to 296,000 tons exceeded shipments for the first time since March, causing the backlog of orders at midyear to rise to 260,000 tons, 19% less than a year ago and equal to about 24 days' production.

Fine paper mills, by producing 111,000 tons in June, maintained a slight lead over last year despite the fact that production for the second quarter failed, by a small margin, to equal that of last year. The volume of new orders received, totaling 109,000 tons, although larger than in recent months, was less than the tonnage shipped, causing a slight reduction in the backlog of unfilled orders. The current backlog of orders, estimated at 55,000 tons, was 8% below the level of a year ago and equal to about 13 days' production.

June production of coarse papers continued at about the May level and 283,000 tons of these papers were produced. However, while production was maintained, the backlog of orders continued the slow decline which began in March and was estimated to have been 111,000 tons, equal to about 10 days of production, at the end of the month.

Production of tissue paper in June continued to be larger than that of 1953 as 129,000 tons were manufactured. In this segment of the industry, unlike the experience of other major classes, the first quarter advance over last year continued through the second quarter, causing output for the first six months to be about 50,000 tons more than for the first half of last year.

Production of paperboard increased for the third consecutive month as 1,034,000 tons are estimated to have been produced in June. As a result of the improved production in recent months the position of this part of the industry in relation to other segments has shown steady, albeit small, improvement. Less encouraging was the fact that the volume of new orders received decreased from the May volume to 1,013,000 and, as a result, the backlog of

(Please turn to page 778)

Crest?

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In our April 13th Bulletin we advised all subscribers to buy General Dynamics at 43 (to yield 8.1%). At this writing it is selling at 61 $\frac{1}{8}$... representing a profit of 28 $\frac{1}{8}$ points or 65.4%.

This Forecast selection may eventually equal our recommendation of Boeing in December, 1953 at 46 (to yield 7.6%). In May it was split 2-for-1, marking subscribers' cost to 23. It is now at 61 $\frac{1}{2}$... showing 38 $\frac{1}{2}$ points rise—over 167.3% profit. A special \$.50 dividend has just been declared.

Southern Railway—recommended at 61—was split 2-for-1—cutting our buying price to 30 $\frac{1}{2}$. It is currently at 53 $\frac{1}{2}$, giving subscribers 75.4% appreciation. The \$3.50 dividend means an 11.47% yield at our cost price.

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As I See It!

(Continued from page 729)

United States, we well know.

We now see the result of weakness in dealing with Red China in its current menacing moves toward the island of Quemoy, which may be the prelude to an attack on Formosa. The shooting down of an American plane by Russian jets makes the situation even more ominous.

All this ought to show how the wind is blowing. Yet, our allies seem to minimize its importance, shrug their shoulders, and say that it is no concern of theirs, that it is an American problem. No wonder the initiative remains with the communists, as long as our chief allies pursue a neutralist policy. Is it not time to stop taking bad advice from Britain and France and assume leadership of an order that will really be in line with our national interests? —END

BOOK REVIEW

FIRE IN THE ASHES

Europe in Mid-Century

By THEODORE H. WHITE

Co-Author of *Thunder Out of China*

This is the story of a new Europe rising from the ashes of despair—and of America's great adventure as leader of the Western world.

It is one of the most helpful books you will ever read, written from intimate knowledge of the persons and events described and with unswerving confidence in the free world's answer to the challenge of communism.

The result is a book which will deepen your pride in being an American.

Starting with an airman's view of Europe, White shows how closely the geography of the Continent meshes with its history. Never—though he goes on to deal with single men, single events, single countries—do you lose this perspective.

White believes that the fate of Europe depends upon developments within England, France and Germany during the next few years. In a marvelous panorama of chapters, he describes these three countries—first in a general survey, then in the human terms of men who truly represent their time and place.

Here is the story of the European Union; of the North Atlantic Alliance; of Russian blunders that, of themselves, stopped the surge of communism in Europe even before Stalin's death; and, now, the nature of Russia's new challenge to the world.

Through it all, White never forgets that the proper study of mankind is man. It is this that makes his bold and vigorous report so profoundly moving.

William Sloane Associates \$5.00

Is Paper Industry at Crest?

(Continued from page 776)

unfilled orders declined to 335,000 tons—slightly less than nine days of production.

A spot check of the industry made in August discloses there has been no measurable change from spring levels for the paper and board people. For the most part, the level of business is ahead of the customary summer lull. Fine papers are holding well on a competitive market, coarse papers are active and strong, both in export and domestic. Seasonal gains in boxboard orders are noted and the mills believe the worst is over. The wood pulp markets show particular strength because of active export. In the thinking of many, a revival of general demand will add new strength to kraft pulp prices, particularly in view of higher wages now general in the industry.

As paperboard mills headed into August, their facilities were working at 90% of capacity, a rise of 2 points from the preceding week but down from the 95% rate registered a year earlier. The ratio of paper production to mill capacity for the week ending July 31 was 83.2% compared with 91.8% for the preceding week and 93.6% a year ago.

Because it functions as a barometer (essential to some 14,000 products), paper constantly is changing its attitude in terms of concentration points. The long-term trend of all production in this field is up, but where printing, packaging and writing paper took 86.9% of all the paper made in 1937, they now consume only 77.9%. On the other hand, more and more paper is being made for use in building and sanitation. Paper's peculiar adaptability in the latter area is apparent, but it possesses the added quality of being totally free from coliform bacteria when it comes off the machine and it is therefore ideal for such products as food containers, napkins and facial tissues. Moreover, its cost is low and its disposal correspondingly painless.

Fortunately, capacity is increasing. At the end of last year it was estimated that the total productive capacity of the industry was 28,548,000 tons and by the end of this year should be

29,308,000 tons. The latter figure represents a whopping rise of 43.5% from the capacity at the end of 1946 and results mostly from the installation of new equipment or the improvement of existing facilities.

If the paper industry is prospering far beyond the general level of other trades, it does however have one trend in common with all business today, from banking to automotive supply. For here too the talk is of consolidations. In August, as an example, the presidents of Hollingsworth & Whitney Co. and Scott Paper Co. revealed the companies have been talking merger. H. & W., with mills in Maine and Alabama, would become a division of Scott. If the deal goes through it will be the third such expansion move that Scott has made this summer. In July, Scott announced purchase of Detroit Sulphite Pulp & Paper Co. A week later, Scott agreed to acquire a half interest in Westminster Paper Co., Ltd. of Canada. A similar move by West Virginia Pulp & Paper Co. resulted in the acquisition of Hinde & Dauch Paper Co. Merger talk links Container Corp. with Mengel Company, maker of hardwood products. And other mergers are in the offing as companies seek to combine to cut costs in this highly competitive field. Indeed, this trend should rise sharply in the event of a recession.

But there is, as of now, no business lag in the lexicon of the paper people. Last year, the 28 leading firms of the industry operated profitably and all but one paid dividends. The yields of these 27 companies, based on their selling price in mid-July, ranged from 2.8% for Weyerhaeuser Timber Co. stockholders to 6.3% for Puget Sound Pulp & Timber holders. Their net income for each dollar of sales ranged from 4.3% for Eastern Corp. to 14.5% for Puget Sound Pulp. International Paper, giant of the industry, brought down to net profit 9.5 cents of each dollar of sales.

Earnings reports that come to hand in the sere of this summer lend added weight to the impres-

NOTICE!

We regret failure to give credit for the map of the steel industry accompanying the article "Will Steel Demand Revive?" which appeared in our last issue. The map, for which permission to reprint was received, was prepared by "Steel Facts," a publication of the American Iron and Steel Institute. We are glad to make our acknowledgment.

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TREET

SEPTEMBER 18, 1954

sion that 1954 will be another excellent year for the industry. Thus, net earnings for Kimberly-Clark Corp. for the three months to July 31 were well above \$3,000,000 against \$2,189,000 in the like period 1953 period. Champion Paper & Fibre, in the three months to June 30, netted \$1.03 a common share compared with \$1.09 for the similar 1953 quarter. Carpenter Paper, for the first half of 1954, showed only a slight dip in net profit to \$2.32 a share from \$2.41 in the first half of 1953. West Virginia Pulp & Paper reported for the nine months to July 31 a slight rise in volume, but a small decline in earnings to \$1.79 a share from \$1.93 in the like period of 1953. National Container Corp. showed a bigger dip in earnings despite a 14% rise in sales. For the six months to June 30, that manufacturer of corrugated and solid fiber shipping containers netted but 40 cents a common share against 64 cents for the first half of 1953.

What is to come in the final six months, then? Broadly speaking, changes in the consumption of paper depend on general business conditions. Paper cannot pull itself up by its bootstraps in a recession. But this industry is widely diversified and flexible, serving the entire consuming public in manifold ways. High growth rates in per capita consumption have characterized most of its products. Some of the grades have grown faster than others—the phenomenal rise in the use of pre-packaging and the frozen food fields are examples. Some fluctuate more widely than others, but the historic record indicates a higher rate of growth for the paper business than for the economy as a whole, taking the gross national product in constant dollars as an indicator. As a consequence, over-all paper output has never in recorded statistics returned to a former low.

—END

Can Airlines Solve Growing Problems?

(Continued from page 758)


share realized in the 1953 first half.

Increased depreciation charges included in operating costs were a big factor in depressing 1954 first half-year net earnings. These charges, amounting to slightly

more than \$8.6 million last year, expanded by \$3.6 million or to \$12,259,000 in the 1954 first half-year. Indications are that 1954 third quarter results will be about on a par with those for the preceding three months with the final quarter showing a pick-up as north to south traffic gets back to its seasonal high. With continuing high operating costs, including heavy depreciation charges, it seems reasonable to expect full 1954 net earnings to drop below those of last year, unless the company is again able to show a capital gain from sale of equipment as it did last year when profit from this source exceeded \$2.7 million net, helping to pull total net income up to the equivalent of \$3.20 a share.

Trans World Airlines figures, depicting first half-year operating and net earnings, varies but little from others in the industry. For the first quarter, total operating revenues of the domestic and international lines amounting to \$39,513,000 made a favorable comparison with the \$39,568,000 shown for the like period of 1953. The big difference between the two periods, however, was the tremendous fall in net operating income, resulting in a net income deficit of \$3,965,000, or a loss equal to \$1.19 a share as compared with a 1953 first quarter net income deficit of \$766,000 or a deficit of 23 cents a share. Again, as in the previous year's first quarter, the company's international lines operated in the red, pointing up the unsatisfactory load factor for this type of service during the winter months, as well as the unfavorable results of a large part of its domestic operations in the same season. Second quarter results represent a sharp reversal. With gross revenues for that period up approximately \$14 million over the first quarter to \$53.8 million, net income after taxes reached \$5.9 million, equal to \$1.77 a share, a sizeable gain over the 1953 second quarter net of \$3.7 million, or \$1.13 a share. TWA's good second quarter showing can be attributed to a 6.5 per cent gain in gross revenues to an all-time quarterly high, and its ability to hold a tighter rein on expenses which rose only 4.8 per cent, notwithstanding the traffic increase. First quarter deficit, however, pulled net earnings for the first half-year down to 58

(Please turn to page 780)



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BOOK REVIEW

THE WEB OF SUBVERSION Underground Networks in the U.S. Government

By JAMES BURNHAM

The Harry Dexter White case, sensational though it has seemed, is only a small part of the story of underground subversion in the U. S. government. The complete story that can be pieced together from millions of words of documentation is told for the first time in this book and told clearly and dramatically.

Not until recently, with the issuance of a little noticed report of the Senate Internal Security Subcommittee, has it been possible to see the pattern of what Mr. Burnham calls "the web of subversion." But even with the aid of that report, it has been a task so large that no one else, apparently, has attempted it.

We know today that part of Soviet policy is the destruction of governments of other nations and especially of the United States, and we are just finding out now, twenty years later, how that policy began to go to work in Washington in the 1930's. The assembled testimony shows us the underground getting its foothold in the emergency economic agencies of the depression era, moving on later to the wartime agencies, then into the postwar international agencies, with the members hiring each other, promoting each other, recommending each other, the whole network extending right up to the administrative staff of the White House. Mr. Burnham presents a startling list of agencies that are now known to have been enmeshed.

It is not his purpose to assess the guilt of any individuals, but to show the pattern of the web they have spun, in order that Americans may know it when they see it.

John Day Co.

\$3.75

Can Airlines Solve Growing Problems?

(Continued from page 779)

cents a share from 90 cents a year ago.

Prospects are that third quarter net will be close to that realized in the second quarter, with net for the full year possibly being helped if a CAB examiner's recommendation for an increase in international mail pay should go into effect within the next few months. There is nothing definite about this, however, inasmuch as policies on mail pay rates for most of the airlines are still up in the air. The long-range outlook of the company is good considering potential traffic growth and gradual strengthening of finances through accrual of about \$24 million annually, the equivalent of about \$7 a share, from depreciation. There does not, however, appear to be any possibility of a near-term dividend declaration because of the need for bolstering working capital and restrictions created by the outstanding debenture debt.

A reduction in load factor and a further increase in some costs held *American Airlines* net for the first half of this year to 66 cents a share. This compares with 92 cents a share earned in the 1953 period. Total net of slightly more than \$5 million, including \$903,000 profit from sale of four DC-4 cargo planes compares with \$6.6 million for the like period of 1953. The feature of *American Airlines* operations for the first half of this year was second quarter results as measured by net earnings of \$4,567,811, including a profit after taxes of \$629,000 from the sale of three of the 4 DC-4 cargo planes, with final figures being helped by a reduction in the rate of depreciation charges on the lines DC-6B planes. This change spreads the write-off over a period of seven years instead of five as originally planned, an action that increased net for the half year by \$583,000, or at an annual rate of a little more than \$1.1 million equal to approximately 17.5 cents a share on the 6 million outstanding common shares.

American Airlines favorable air routes place it in a good position to continue growing as a passenger and freight carrier. Its fleet of modern ships has been aug-

mented this year by delivery of 25 new DC-7s. The cash flow from depreciation and earnings continue to strengthen working capital and eventually enable the company to turn its attention to reducing the relatively senior capital. In the meantime, dividend payments should be maintained on the present 60 cents annual basis.

Any expectation that might have been entertained that *American Airlines* would increase its dividend this year has been blasted by the rather prolonged pilots' strike which while brought to an end has not been settled, having been submitted to arbitration. A decision in their favor regarding the number of hours to be worked will without doubt affect other long-line operators and further increase operating costs.

Our comments pertaining to the more prominent of the air transport companies which appear in the tabulation of statistical data should serve as a guide.

Bus Companies

Bus transportation in cities has generally been affected by a decline in bus riders, despite population increases. This situation is reflected more or less generally from coast to coast and is due to repeated fare increases, generated by higher and higher wages, with the result that the public is commencing to find local transportation costs quite high. As many communities have taken over lines, formerly run by private interests, deficits or lack of adequate operating revenues are being met through taxes. The situation is chaotic for the most part and, for that reason, remaining private operators face an almost impossible situation. As investments, local transportation issues have long since lost favor and the only hope for many of these companies is to be taken over at a fair price by the communities.

Transcontinental bus transportation is in somewhat better shape, with a year-by-year increase in passengers carried. Wages, however, are increasing and the margin of profit is small. One of the big problems is the inequitable local or state tax situation, both with respect to franchises and direct taxes. This has resulted in a multiplicity of uncoordinated charges which the bus lines must meet. Depreciation charges are increasing and the

need for replacement with more modern vehicles insatiable. Lines are endeavoring to attract new passengers with modern multi-deck buses.

Truckers have had a slight decline in volume of freight carried owing to the set-back in national business but are doing comparatively better than the railroads themselves. Long-term prospects for the major truckers are satisfactory, particularly in view of the new transportation arteries opened up, that can service the trucks as well as passenger cars.

Shipping Companies

United States operators of ocean-going vessels are having a tough time, what with high costs, lower revenues and last, but not least, government competition from the Military Sea Transport Service. The latter has become quite a factor diverting a considerable amount of traffic from the private lines. On the other hand, the government's more favorable attitude on operating differential subsidies has tended to bolster earnings although they have unquestionably been showing the effects of higher costs. The waterfront strike in New York was also a handicapping feature. Most shipping lines felt the effects of this strike quite severely. With labor conditions on the docks more stabilized, however, it is expected that the final half year earnings will show some recovery. The industry is still facing uncertainties and misses the enormous volume of tonnage which was stimulated by the Korean war. With increasing competition from the lower-cost foreign lines, it is difficult to see how a stable level of earnings can be attained, despite the help afforded by government subsidies.

The shipbuilding industry itself is in poor shape. At present only 23 major merchant vessels are under construction, compared with 92 at the end of 1952. It is stated that after completion of present work, only 2 vessels will be under construction by the end of the year. The government is giving an assist with approximately \$137 million in new funds in various forms of aid, of which \$82.6 million will be used in direct subsidies for ship construction. Obviously, much more than this is requested to get the industry on its feet.

—END

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What is Causing New Excitement in Gold?

(Continued from page 174)

longer term but the advantage at present is with those guiding the Treasury and the central banks who believe it is too soon to get back on the gold standard. Nevertheless, if, in the next few years, deficits continue to mount, advocates of gold redemption of currency will gain a great deal of strength.

What It Means to Speculators

Among the more obvious proponents of a return to the gold standard, with its corollary of a rise in the price of gold, are speculators and, naturally, the gold mining companies. The latter have certainly suffered as a result of the rise in costs caused by years of inflation and want a price for gold that will give them a profit. Speculators, especially those of foreign origin who specialize in gold transactions, would like to see a universally free market in gold so as to have a surer base for their manipulations. At present, they are despondent because the world price of gold has slumped to the statutory limit of the United States—\$35 an ounce—after having sold as high as \$60 an ounce in Hong Kong in 1949. Once gold is freed in the United States, however, they can see a return to the old days of highly profitable dealing in the metal. The potentialities in this direction can easily be visualized when it is considered that the loss of any substantial amount of gold now held in Fort Knox could set into motion immense long-term inflationary influences, through expanding the national base of money and credit, and, thereby, automatically set off a spiral of public demand for gold that would play right into the hands of the speculators.

The \$22 billion dollar horde of gold which the U. S. possesses gives our dollar a degree of stability, and acts as a firm anchor to which other currencies are safely tied. If this anchor were removed, many foreign currencies would be set adrift.

This brings to attention one aspect of a return to gold that has generally escaped attention and that is the concealed interest which the Soviet Union has in

such a development. The leverage of gold as a factor in the financial stability of governments is obvious, particularly under post-war conditions which have not as yet permitted the free governments to operate on a basis of true financial stability. By encouraging world-wide hoarding and speculation in the price of gold, resumption of specie payments in the United States might have a tendency to undermine the financial position of many governments. This, of course, is something the Soviets would be glad to assist by relentless manipulation in the world markets for the metal. As one of the world's chief gold producers, Russia is clearly in a position to manipulate the price of gold to her own satisfaction, once the United States lets the bars down.

This, in brief, is the outline of the intensely interesting gold story as it shapes up today. Many details, of course, have been omitted simply for lack of space. Considering the vast significance of an ultimate return to the gold standard, it behooves the intelligent American to keep closely abreast of any developments bearing on this subject which may manifest themselves in Congress during the course of the next year. Whether or not we can control inflation with effective monetary instruments may well depend on the outcome of the important initial moves now taking place to put us back on a gold standard.

—END

Answers to Inquiries

(Continued from page 161)

were off approximately 43% to \$6,683,795, but since Federal income excess profit taxes averaged 56½% for the year, against 70% previously, net income after taxes was off around \$2,543,795. Earnings were equivalent to \$5.95 per share on 427,248 shares of common stock outstanding at the year end against \$7.56 earned on substantially the same number of shares in the preceding year.

On June 30th, 1954, current assets totaled \$17,521,958 and current liabilities were \$7,433,418 leaving net working capital slightly over \$10 million.

Dividends in 1953 totaled \$3.00 per share and \$2.50 has been paid thus far in 1954.

United Merchants & Manufacturers

"I have been a subscriber to your magazine for a long time. Please furnish late information on United Merchants & Mfrs."

N. H., Wheeling, West Virginia

Net earnings of United Merchants & Manufacturers, Inc. for the fiscal year ended June 30th, 1954 were \$9,161,569 equivalent to \$1.74 per share on 5,278,531 shares outstanding. This compares with net earnings for the year ended June 30th, 1953 of \$9,302,268, equal to \$1.76 per share on the same number of shares.

Total net sales for the fiscal period amounted to \$343,010,088, including intercompany sales of \$42,822,152. For the previous year, these figures were \$307,563,592 and \$19,365,575.

Working capital increased \$5,687,192, with current assets of \$131,594,078 and current liabilities of \$54,721,883. Total net worth was \$105,160,911 compared with \$94,327,947 last year.

While conditions in the textile industry continued keenly competitive the company has added to its financial strength and improved its plants, and also increased diversification. The re-orientation of newly acquired properties and the development and marketing of new products should help provide a better basis for the future. The president of the company feels drastic inventory readjustments are behind us and conditions in the textile market are expected to show some measure of improvement.

One example of the importance of research and development work to the company was the development in conjunction with Monsanto Chemical Company of an adhesive backed plastic film called "Con-Tact" which has already shown evidence of customer acceptance. Industrial fiber production has been moved to enlarged and improved quarters in North Carolina. South American acetate rayon plants are being enlarged to take care of increased requirements.

Robert Hall Clothes, Inc., the company's retail clothing chain, has continued its planned program of nation-wide expansion with the addition of 18 units during the year, bringing the total to 180 stores.

Current quarterly dividend rate is 25c per share.

—END

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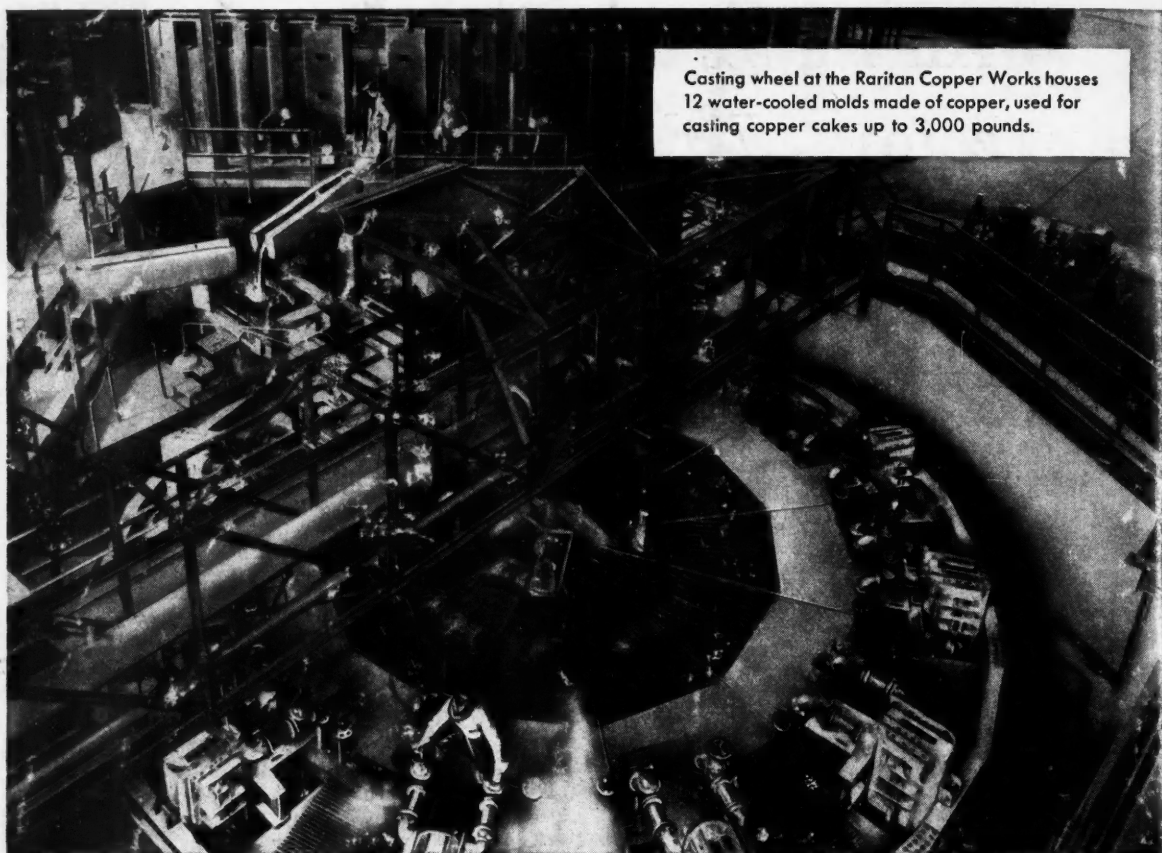
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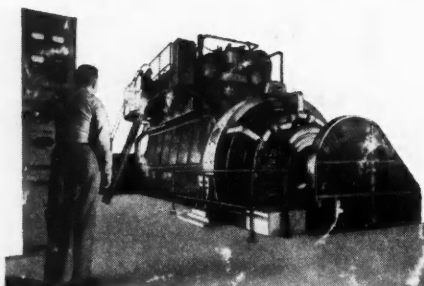
90 BROAD STREET

NEW YORK 4, N. Y.



Casting wheel at the Raritan Copper Works houses 12 water-cooled molds made of copper, used for casting copper cakes up to 3,000 pounds.

Bigger **CAKES** for longer **COILS**



Another 2,000 kw diesel-generator set has been added to the power plant of the Raritan Copper Works to provide more current for its electrolytic copper refinery.

COPPER CAKES HAVE PUT ON WEIGHT

at the Raritan Copper Works of International Smelting and Refining Company, a subsidiary of Anaconda. Heretofore, the maximum weight was 840 pounds. But now, with the recent completion of a new casting plant, parallel-sided copper cakes ranging in weight from 1,800 to 3,000 pounds are regularly produced on the casting wheel illustrated above.

This means that The American Brass Company, an Anaconda fabricating subsidiary, is able to supply its customers with larger and heavier copper plates; also with longer unjointed coils of strip copper in very thin gages. These longer coils, in demand by industry, enable users to operate their machines more economically—with fewer interruptions.

This new casting plant, the largest of its kind, is another example of Anaconda's continuing program to meet industry's evermore exacting requirements for copper and copper alloy products.

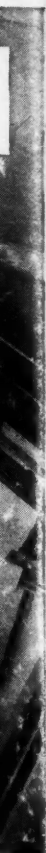
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ANACONDA

COPPER MINING COMPANY

The American Brass Company
Anaconda Wire & Cable Company
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Anaconda Sales Company
International Smelting and Refining Company



3

DIA

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